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# ***JPRS Report***

# **Soviet Union**

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***Economic Affairs***

# Soviet Union

## Economic Affairs

JPRS-UEA-90-010

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21 MARCH 1990

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Debate on Property Law Continues

#### Concern Over Unforeseen Consequences

904A0125A Moscow SOVETSKAYA ROSSIYA  
in Russian 10 Jan 90 Second Edition p 3

[Letter to the editors from A. Yakovlev, professor:  
"Dangerous Alternatives"]

[Text] I will say it in advance: I favor a diversity of forms of ownership under socialism. To a certain extent, I even consider private ownership necessary and useful.

The monopoly of state (nationwide) ownership brought on the crisis of the Soviet economy. Can an economy and administration based on that form of property cover all the diversity of social interests?

No, of course not. State ownership is at best able to take into account the interests of large population groups. Such as the need for transportation, say, communications, energy, heat, metal, raw materials. But it is not able to fully satisfy the interests of small consumers, much less separate individuals. The needs for clothing, food, housing, and the products used in everyday life are so diverse that it is not only not advisable to organize their production in large series, but this is a losing operation from the economic standpoint.

The deficiencies of state ownership lie not only in the fact that it is by no means always able to satisfy people's boundless interests in good time. It requires a cumbersome and awkward administration. That means that there has to be a gigantic administrative mechanism that sucks up millions of specialists into itself and thereby leaves production bare.

The inability of that swollen machinery to effectively manage the more than 2 million enterprises and institutions drove it to create superlarge production units in industry, to build equally gigantic plants for processing agricultural products that were out of touch with the sources of raw materials. This resulted in immense annual losses of food.

When people's needs are satisfied poorly, they are driven to seek the goods and services they need somewhere else: not in state trade, not in the state enterprise. This gives rise to the "shadow economy," whose volume of production, according to contradictory data, runs into the hundreds of billions of rubles.

Thus, the times call for degovernmentalization of socialist property. But how and to what limits? Do the draft of the Law on Property and the Bases of Legislation on Leasing answer those questions?

It does seem that the fundamental approach that has been found is the right one. The needs of the entire nation will be met, as now, with the resources of state

property. All the rest is subject to various forms of degovernmentalization, all the way to the revival of private ownership. At the same time, the nationwide character is preserved in most of the forms of ownership outlined.

But unfortunately a law cannot always serve as a reliable guarantee of the inviolability of public property. The experience of perestroika has demonstrated time and again that the distance is immense between the law and actual practice. No one, after all, supposed that the Law on the Cooperative would engender thousands of speculative cooperatives that have begun to skin the public in the most unconscionable way. Nor was it anticipated that the Law on the Socialist Enterprise (Association) would evoke a wave of "collective egoism," which has resulted in an unrestrained rise of prices, disappearance of goods for which there is an everyday demand, devastation of the indigent strategy of the population, and an abrupt social stratification of society.

Won't the proposed changes in property and the forms of using it aggregate these problems? There would seem to be a danger of that kind of aggravation, indeed a significant danger. I will not say much about the terminological confusion in the new draft of the law—it is clear to everyone that if a law does not make it clear what it means by a term, then it does more harm than good. At best it is stillborn.

The main danger lies elsewhere. The draft of the Law on Property and the Bases of Legislation on Leasing do not mention essential points, and many disturbing things in reality are ignored. To be specific, it says that land or an enterprise may be leased by any person, family, collective, or cooperative. Not only may they lease them, but in time they may acquire them as private or collective property. This will have the result that a large number of enterprises and institutions will in time move out from under the oversight of the state.

What is wrong with that?—objects the advocate of the cooperative or leasing. Nothing in particular, of course, unless one considers that all these tens and hundreds of thousands of enterprises and institutions will end up in the hands of the capitalists of the "shadow economy," who couldn't care less about the interests of the people, especially the poor. And the latter include not only those who even today are living on a niggardly pension or scholarship (in all, they number about 70 million persons), but also those who have a hard time making ends meet from one payday to the next. They represent about 100 million more people.

The size of the "shadow economy" in the structure of the national economy, I would recall, runs to the many billions. Who will be first to rush and buy enterprises from the state: the pensioner, the university student, the blue-collar worker, the teacher, the physician? The first will be the head of a commercial and purchasing cooperative, the boss of an underground clan of Soviet "Mafiosi." The Law on the Cooperative has allowed

many of them to "launder" capital which they had obtained at one time dishonestly.

How is this completely realistic prospect to be squared with the standards of socialist morality? Or will we accept the line of argument of the authors of the laws: let them take their criminal profits, just so they saturate the market with goods.... What will be the moral consequences of this general amnesty?

Nor is it a sin to think about other consequences. First, on what frontier of history do these laws cast our society? On the frontier of the primitive accumulation of capital, i.e., to the 15th and 16th centuries, when the incipient bourgeois was accumulating capital by robbery and violence?

Second, it is not difficult to guess how world public opinion will take the legalization of criminal business in a socialist country. After all, throughout the world, including the capitalist world, that kind of business is outside the law. But our legislators are placing a legal foundation under it.

And third and finally, will the newfound Aladdins saturate the market with goods that are necessary and accessible in price? No, they will not—rather the contrary, they will take the market to absolute emptiness. Tens and hundreds of millions of rubles are needed to run one's own booming business. Today, not even the biggest figures in the "shadow economy" have it. What will they do when they buy enterprises from the state? They will set to accumulating capital, foreign exchange. You do not achieve that by producing products for a few kopecks. Which means that there is one strategy: inflation of prices, speculation, thievery, and machinations....

Who is that going to hurt? Above all, the millions of Soviet people who are in poverty even today.

What is to be done, then? The reader should not take my reply as a paradoxical contradiction of what I have just said. I suggest that there is one way out: to permit cooperative ownership, leasing, joint stock ownership, joint ventures, and other forms of ownership. But place the entire process of their formation and functioning under the effective oversight of the socialist state. With not only economic penalties (the tax system), but also judicial penalties. Given our feeble system of financial inspection, which is easily bought off, taxation alone cannot be considered a serious obstacle for the greedy aspirations of many lessees.

The Law on Property must envisage (and amendments must be made in the Bases of Legislation on Leasing) legal instruments to regulate relations between the new owners of the means of production and the state. To be specific, leasing contracts must clearly state what products the cooperative must produce and at what price. At present, the laws do not envisage stipulations of this kind imposed by the lessors. But we cannot do without those restrictions.

We also need to stipulate the right of soviets, the lessors, to regulate the list of products to be produced. Fines should be envisaged for lessees not only for unreasonable exploitation of capital and equipment, but also for violation of contracts concerning production of required products. When contracts are concluded to lease enterprises or institutions, it is legitimate to require the lessees to file declarations on income and confiscate accumulation obtained illegally. The experience of many present cooperatives demonstrates the desire of their managers to use hired labor. The laws, then, must envisage prohibitive measures in this respect. We have to be clearly aware that for the present we cannot do without administrative methods of management during the radical reorganization of the economy.

It is utterly indispensable to put the workers of state and cooperative enterprises and leased enterprises in the same conditions with respect to wages. After all, even now the drain of skilled manpower from state enterprises is becoming massive. And finally: In creating favorable opportunities for the development of cooperative, leasing, and other forms of ownership, in no case can we terminate the scientific research and experimental effort to improve state socialist ownership. It is, after all, the backbone of our economy.

#### Rejections of Socialist Principles Decried

904A0125B Moscow SOVETSKAYA ROSSIYA  
in Russian 10 Jan 90 Second Edition p 3

[Letter to the editors from S. Gunanov, economist, Moscow: "Humiliation of Labor"]

[Text] There is not a single word about private property in the draft of the Law on Property in the USSR which has been put up for discussion. In the so-called alternative bills published some days later, there was an outright proposal to legalize private ownership. Both that which is based on personal labor, that is, ownership through private labor, and that which is based on hired labor—that is, private capitalist ownership. Not a word about private ownership in the "main" legislation. Which means that its legalization is precluded if this particular draft is adopted?

It is apparently not that simple. And in my view it is possible to make an irreparable political and historical mistake if we take this bill at its word.

I will begin with the fact that when it comes to socialist ownership the bill gets by with general declarations. There is not even a hint as to what it is, no definition, not a single distinguishing feature. Nor are principles, forms, nor methods of achieving socialist ownership established. And, most important, there is not a single guarantee of its achievement. It does not even state the basic principle of socialism—the principle of the universality of labor!

Are these accidental oversights? Since the time of the October Revolution none of the country's constitutions

nor any of the constitutional laws has contained such "oversights." Nor have the fundamental principles and guarantees of distribution according to labor ever "slipped out." Nor did they slip out in this case—it is evident that they are simply being discarded like unnecessary junk.

If you make your way through the debris of words and phrases about socialist ownership to the essence, then you see as on the palm of your hand the trend toward legalization of private capital accumulated in the bowels of the "shadow economy." What is more, in a magnitude sufficient to pluck up by the roots entire plants and factories together with their work collectives. The universal leasing of enterprises, then their purchase and transformation into joint stock capital, which would float freely on the market of means of production, manpower, and securities, those are the stages for transformation of a nationalized economy into a denationalized economy.

And the bill guarantees that sequence. It "gives" the workers the right to sell their work power. It permits the substitution of hired labor for personal labor; that is, some people will have to work themselves, with their own hands, while money will do the work for others. The bill leaves nothing of the principle of the universality of work except the squeal. The purchasing of enterprises is permitted. And as soon as they can be purchased, that means they can also be sold. To anyone at all, just so he pays. And to top off all this, income on capital, on shares of stock, is permitted. And that signifies outright replacement of appropriation through labor with appropriation on the basis of capital.

These measures themselves imply that social ownership as such no longer exists. After all, social ownership, socialist ownership, signifies above all gratis use, possession, and disposition of the means of production, including land. The workers do not have to pay anyone a single kopeck to use the means of production if property is public and based on work. In that case, there can be no discussion of leasing, of purchasing. From whom are enterprises to be leased, from whom are they to be purchased, if in economic terms they belong to the workers? Only from themselves. In such a case, the workers themselves must receive the rent from the workers, from themselves. The same applies to purchasing. This is the only version that is possible if socialist ownership is to prevail effectively.

What was the need to transform the socialist, gratis form of ownership into private capitalist ownership for which payment is made? One thing is advanced as a pretext: There is no other way, they say, to motivate a thrifty and careful and stewardly attitude toward the means of production, toward the land. There is no other way, they assure us, it is impossible to arouse interest in boosting labor productivity because the monopoly of nationalized property stifles it as dynamite kills fish.

The pretext seems plausible at first. But if we examine it properly, it turns out that everything here has been turned upside down. A second and completely different reason for the declining interest of workers in their work. This is the myth and the illusion that social ownership prevails undividedly in our country. It should prevail, but that does not mean that it already does.

As is well-known, ownership of the means of production predetermines ownership of the end product, the articles of final consumption. By the fact that 90 percent of the means of production are nationalized in our country, that means that the same proportion of consumer goods, material goods, and services should be nationalized. In other words, the workers must obtain at least 90 percent of the gross final product—foodstuffs, housing, everyday articles, clothing, services, and so on—from the nationalized sector, at the prices and rates contained in price lists.

That would be the case if nationalized property actually prevailed. But that is not the case. Less than 30 percent of the gross final product now goes to the consumption of the workers through state trade at state prices. They acquire the rest at market and speculative prices, which are controlled one way or another by the "shadow economy," which is essentially a private capitalist economy.

How does it turn out: when it comes to producing products, the workers push the plow, but when it comes to consumption, they do not have a spoon? In the bowels of the legal and illegal spheres of the distribution of commodities, private capital is switching the flows of material goods from nationalized channels into private, "shadow economy" channels by means of bribery, usury, speculation, figure padding, and theft. It all follows the classical formula of capitalist exploitation: the one who does the work does not do the distribution, and the one who does the distribution does not work. And so it turns out that the workers must do good work exclusively so that those who do not work, that is, the bigwigs of "shadow" capital, can live well.

It is clear that relations of this kind do not suit the workers. They produce, but they do not see the lion's share of the gross end product. So why should they try when they do not know for whom they are working? Why try when they have plenty of inflated bank notes, while at the same time an ever larger flow of real physical goods passes them by?

Distribution of the end product that has been created strictly according to work, according to everyone's contribution of work to creation of that product—that is what is indispensable to boost the material motivation of the workers both in the city and the countryside. That is the first problem of the "renewal of socialism." The property bill solves it in a highly original way. Instead of doing away with distribution according to capital, it destroys distribution according to labor! And it suggests to the workers: From now on, exploitation in the form of



speculation and similar things is not exploitation at all, but enterprise. And you workers now have the right to hire yourselves directly to your oppressors, who will become civilized patriots of the "socialist" market and will exploit you according to all the rules of contemporary Western democracy—openly, explicitly, and humanely. Up to now, you have been working for a "shadow," underground, and unknown exploiter, now you will begin to work for a legalized and known exploiter...which is the custom everywhere in the world.

What have they omitted to promise the workers in this connection? Both independence and overcoming alienation from the means of production, as well as an abundance on the shelves. But all of this assumes that people who are tired of the shortage of everything they need for normal life have become gullible.

Every independent enterprise can earn only a nominal wage, near inflated bank notes. It is not every enterprise that is manufacturing consumer goods. And none produces them in isolation. Consequently, not a single enterprise is able to see to the transformation of the nominal wage into a real wage, a wage fully converted to what a man needs. The enterprise cannot independently provide a real wage. This can be done only together, by the entire world, through the production of the necessary products previously adjusted with respect to composition, quality, and quantity to people's needs and requests. If our workers need a real full-fledged wage, they do not need independence of enterprises as private and detached commodity producers.

The proposition about overcoming alienation is absolutely unsound. In the kind of reform of property relations that is being advertised, alienation will not be overcome, but will be reinforced. After all, it calls for a labor market, the free purchase and sale of labor. And when is a man forced to put his work power up for sale? Only when he is economically separated from the means of production and consumer goods. When he has been reduced to the position of a proletarian. It is alienation that forces a man to reconcile himself to hiring out his work power under exploitative conditions.

In my view, the draft of the Law on Ownership in the USSR should be withdrawn. It is necessary instead to draft and implement a law on monetary reform and also a law on monitoring the measure of labor and consumption. A thoroughly thought-out and democratic monetary reform will not undermine the interest in work, as the ideologues of "shadow" capital have been reporting, but the interest in exploitation of work. Reestablishment

of social justice will be the first step toward a revival of the material motivation of the workers based on distribution according to the end results of work.

### **Opinion Poll Reveals Worker Caution Toward Ownership**

904A0143A Moscow *RABOCHAYA TRIBUNA*  
in Russian 13 Jan 90 p 3

[Article by V. Kosmarskiy, senior scientific associate of the All-Union Center For the Study of Public Opinion on Socio-economic Questions, affiliated with the Komsomol and USSR Goskomtrud: "The Logic of Choice"]

[Text] Let us discuss the draft law "On Ownership in the USSR."

It looks as if the debates on ownership have reached their apogee. But still no road to agreement is in sight. On the one hand, the principle of multiple forms of ownership has been officially proclaimed. But on the other hand, we are told that private property and socialism are incompatible all the same.

Some people frighten society by portending the imminent arrival of resourceful moneybags who, given free rein, will quickly buy up everything they can, wholesale and retail. But others assure us that without private initiative we will not move forward.

But maybe we should ask the population what it thinks of one or the other form of ownership.

It is true, even specialists consider this no simple matter. The fact is, any information about ownership has for a long time been presented to us in such a one-sided and tendentious manner that an ideological label has been firmly planted in the minds of many. As a result, many have firm convictions about what is indigenous to us and what is deeply alien, what is good and acceptable for a Soviet person and what is not.

That is why, in making overtures to public opinion concerning various forms of ownership, we decided not to ask questions point blank, but to attempt to clarify people's points of view through simpler and better understood matters which are devoid of ideological coloring.

In the course of a survey devoted to bringing to light the population's views on the economic reforms taking place in the nation, sociologists asked 1,150 urban

residents from the RSFSR, the Ukraine, Belorussia, Latvia, Moldavia, Georgia, and Uzbekistan about

where they would like to work. These are the answers they received (in percentages):

	1	2	3	4	5
Would like to open my own studio, cafe or store	9	11	5	10	8
Would like to lease a store, studio or cafe	4	5	5	5	2
Would like to work at a leased enterprise	13	5	21	17	10
Would like to work at an enterprise jointly owned by a foreign firm	29	34	37	29	16
Would like to work at a state firm operating on an economic accountability basis	20	29	29	22	13
Would like to work in a cooperative	10	13	6	10	8
Do not care where I work	10	11	10	14	26
Do not know	12	5	6	11	12

Note: the first column indicates overall indices, the second—responses of enterprise directors; the third—responses of ITR [engineering and technical workers] and employees; the fourth—responses of skilled workers; the fifth—responses of unskilled workers.

An immediate qualification should be made. Those surveyed could choose more than one variant, and therefore the total exceeds 100 percent.

As you see, those participating in the survey—primarily representatives of industry—named practically every form of ownership that exists here. We should note that every tenth person surveyed sees nothing wrong with himself becoming a private entrepreneur, and working at a collective enterprise in general held the highest attraction. It is true, the state sector also had a fair number of adherents. But on the whole, I think, we can draw the following conclusion: workers are highly tolerant of various forms of ownership and private initiative, although they are still more likely to want to hire themselves out as workers rather than assign themselves the role of private entrepreneur. Only 13 percent expressed a desire to have "their own businesses" by opening or leasing small enterprises.

It is paradoxical, but even enterprise directors are not particularly eager to become entrepreneurs. And there is very little interest in the prospect of owning "one's own business" among workers such as engineers and economists, i.e., specialists with advanced degrees, who throughout the world serve as the pool from which entrepreneurs fill their cadres.

It is mainly mid-level workers who find owning their own business attractive, but it makes one prick one's ears that every fifth low-skilled worker is indifferent about where he works. What a huge number of people are now in a state of the deepest apathy with respect to the fundamental source of their material well-being!

And how does the regional breakdown of the statistics look? The greatest percentage of those who wanted to open "their own businesses" were among urban residents in Georgia and Latvia (17 and 15 percent, respectively). In these very republics one senses more of an inclination towards leasing than in other republics.

As for joint enterprises, residents of Georgia especially look in that direction. More than half of the urban residents surveyed there expressed a preference for joint enterprises in particular. Judging on the whole, the majority of potential cooperative members live in Latvia.

However, the desire to work where one wants and real actions toward that goal are two completely different things. Therefore we have attempted to clarify how many people are ready today to realize their dreams. It turned out that among the potential leaseholders, only half of them are prepared to take action, and among those desiring to open "their own businesses" or become cooperatives, only 40 percent are ready.

Moreover, only 20 percent of those drawn to new forms of organizing production are seriously considering changing their current place of employment as a result. So judging from all of this, the privatization of ownership is not "in the air" at present. New enterprises can hardly survive without workers.

### Number of Small State Enterprises Increases Despite Obstacles

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[Article by V. Romanyuk: "Small Enterprises Against the Monopoly of Industrial Giants"]

[Text] Not long ago in this country the USSR Union of Small State Enterprises appeared. It was formed in mid-November 1989 at the inaugural congress of small enterprises, which took place in Leningrad. The director of the small state enterprise "Stolitsa" ["Capital"], N. Shulyateva, was elected president of the union.

At the meeting Nadezhda Aleksandrovna explained that it is not the bureaucratization of new business from its very beginnings which the union sees as the main thrust of its activity, but rather the support of people who take

the initiative and the attempt to breathe life into the new structure. This is how it will ensure the, so to speak, purity of the experiment.

A small enterprise is not simply production on a small scale in terms of number and volume of items produced—it is a completely new structure taking shape in our economy. Incidentally, the Commission on Improving the Economic Mechanism (connected with the USSR Council of Ministers), having approved the provisions for organizing the activities of small enterprises defined their size: up to 100 persons. But the main issue is not the numbers. In principle a small enterprise represents a symbiosis of the two forms of management. As a state enterprise, it both independently develops an outline of a plan, which it relays to the founder, and receives and carries out state orders. By the way, its implementation of the latter goes along separate lines from the founder's plan. As a rule, small enterprises work according to the second model of *khoshraschet* [economic accountability]. The simplified bookkeeping, free forms of management, the possibility of overhauling production quickly and without red tape—this all comes with the cooperative model. Also, as in a cooperative, a small enterprise takes a certain risk (the founder only risks the funds he put up, but the enterprise's collective itself risks all!)

Who may establish a small state enterprise? Any other enterprise which is a juridical person or a local soviet. The USSR Union of Small State Enterprises is also endowed with this right. The founder establishes norms for deductions from gross revenue and pay rates for labor resources in the state budget (including local), on behalf of the founder, and in the funds of the enterprise itself. And all bookkeeping and statistical accounts are done along the lines established for cooperatives. For manufacture from raw materials and materials sold to the population, prices will be formed exactly as for cooperatives.

Small enterprises easily enter into any structure. In the West their share is 25-35 percent, and many countries have state programs of contributing to their growth. In the USA half of all labor resources are tied up in small enterprises. They provide one half of all production and a large part of the new ideas and innovative manufactured articles. Small-scale business creates two out of three new jobs.

Here in the Soviet Union we as still have only around 100 small state enterprises. The council which unites regional associations of small enterprises in Moscow, Leningrad, Siberia, and the Baltic republics intends to expand in those directions which more than others respond to market demands. Enterprising persons have quickly understood, evaluated the merits of, and embraced the possibility of new forms. The experiment in the development of "small industry" which began several years ago in Estonia has shown that small enterprises are more effective than giants. In any case, not a single collective of small enterprises in Estonia expressed the desire to join the ranks of cooperatives.

On the contrary, more and more cooperatives are attempting to switch over to the ranks of small enterprises. What attracts them? Most of all, the provision of resources. This problem is not being dealt with in the best manner, even in the state-run sector. Therefore, a department of funds is being created in the USSR Union of Small Enterprises. It will receive funds directly from the USSR Gosnab [State Supply Committee of the Council of Ministers] upon request by associations of small enterprises.

The story of the creation of one of the first such enterprises in the country is curious. It is called "Stolitsa" and was created in conjunction with Mosgorispolkom [Moscow city executive committee] to deal with problems of cooperative enterprises which need, as is known, offices and housing facilities for foreign partners—and not just anywhere, but in Moscow. Mosgorispolkom had no organizational body to see to the reconstruction and leasing of dilapidated housing resources in the center of the city. These are the tasks that "Stolitsa" took on.

The deputy director of "Stolitsa," A. Bardin, explained that the enterprise will make a profit—what's more, in hard currency, whereas earlier they figured on losses. Mosstroykomitet [Moscow construction committee], in undertaking the reconstruction of housing in the center of Moscow, produces 2,000 cubic meters instead of the expected 10,000. That is to no one's advantage! And here a small enterprise is earning hard currency. How? It's very simple: the first floors, after reconstruction and improvements in decor, are leased as offices and rooms for western businessmen. The hard currency received is sufficient for the reconstruction of the entire building, including the purchase of materials for decoration and foreign equipment.

Not long ago another small enterprise was created in Moscow—"Ekotekhnika." Its program is to devise a system for cleaning industrial wastes through the use of mobile and stationary installations. "Ekotekhnika" will work on neutralizing the harmful effects of, cleaning, and processing wastes and drainage from chemical and other factories. The NPO [scientific-industrial association] "Ekotekhprom" of Mosgorispolkom and the USSR Academy of Sciences Power Engineering Research Institute were the founders of this small enterprise.

Small enterprises are actively emerging in Leningrad. Today there are around 50 of them. The small scientific-industrial enterprise "Komes" emerged even before the approval of provisions for new forms of management. It is engaged in scientific applied research of an intersectoral order in the sphere in which modern and untraditional methods and means of measuring are created and introduced into production. Their work is in laser methods for assessing the reliability of turbines, technological quality control for the production of paper, and the hydrodynamics of artificial heart valves. As you can see, these are difficult and subtle operations. Large-scale



enterprises do not manufacture laser means for measurement and diagnostics. Such instruments are usually required either for a single application or in a small series. For that, a temporary group of specialists must be called in each time. And here the small enterprise takes on itself the elaboration of techniques and procedures, freeing the founders of these responsibilities.

The story of the "boom" in personal computers is well known. A firm with a worldwide reputation—IBM—almost went bankrupt when it underestimated this movement at first, and a group of small and extremely small firms set things going by dumping a huge quantity of personal computers onto the world market.

The president of the USSR Union of Small State Enterprises, N. Shulyateva, suggests that in the development of "small business" it is not necessary to reinvent the wheel—we must be guided by universal experience. The Union of Small State Enterprises intends to enter European organizations for "small business." Incidentally, during M.S. Gorbachev's state visit to Italy, the issue of the need for close collaboration between small and medium-scale enterprises of Italian and Soviet enterprises was raised more than once. Suggestions were made on how to include medium and small-scale firms in a Soviet-Italian cooperative effort in the most organic way possible. The issue now is finding the necessary mechanisms for an organizational and economic plan and for legal procedures.

Truthfully speaking, at the moment Soviet "small business" faces a number of entirely prosaic problems. Small enterprises are experiencing difficulties in registering with local authorities—agencies work against them. Approval of the charter of a small promotional enterprise based at VDNKh [USSR Exhibition of National Economic Achievements] has already been held up for two months by the capital's gorfinupravleniya [city finance directorate]. Long-term proposals for creating small enterprises where an agricultural machine-building site was shut down remain unrealized. Finally, there is an absence of equipment which would be specially designated for small enterprises. Therefore they are forced to use old equipment which ensures neither high output nor the quality needed.

Although small state enterprises are able to switch over very quickly and with a minimum of waste to completely new types of production which are needed by industrial giants, they cannot survive without subsidies and tax privileges. Small series and individual manufactured goods are often needed by large-scale industry. Taking this into account, the USA has established tax rates for "small business" which are half the rates for big business: firms with yearly earnings of up to \$100,000 pay a 15-percent tax rate, whereas large corporations pay 34 percent. In Bulgaria and Hungary a special management policy has been established for small enterprises. Here in the Soviet Union we still have made no provisions for tax privileges for small enterprises, and in this sense the "building" has an unfinished look about it.

## PLANNING, PLAN IMPLEMENTATION

### 1989 Economic Downturn Linked to Fuel, Energy Output

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[Article by G.I. Khanin: "The Crisis Is Deepening: Economic Review Based on Results for the 1st Half of 1989"]

[Text] Since 1986, it has once again become easier to forecast our economy. But there is no joy in it. That is the way it has been with us since the mid-seventies. Any qualified economist, or indeed just a man with common sense, could at that time easily have predicted that tomorrow would be worse than today, but still better than the day after tomorrow. After an interruption of four years, we have gone back to the old rut that leads to ruin. It is how that rut looked in the 1st half of 1989 that we will be talking about. I will be so bold as to speak not only about the 1st half of the year, but about the entire year. Trends denoted in the 1st half of the year usually persist until the end of the year.

I would, of course, have liked to have more data in the analysis. For example, to know what kind of harvest to expect this year. The prospects for this year and next year depend to a large extent on that. In the twenties, they wrote in all the newspapers about the anticipated harvest in July. Now we learn about it only from the international food organization. It names the figure of 209 million tons of grain,<sup>1</sup> which is at the level of the first two years of the 5-year planning period. But this figure, first, pertains to the May forecast, and second, we do not know to which harvest it refers—in the barn, in the hopper, or in the field. Perhaps in some places these different categories are close to one another, but in our country they are very far apart.

Nor do we have monthly data on the operation of our industry. *EKONOMICHESKAYA GAZETA* published them punctually for more than 20 years, and from the beginning of last year *VESTNIK STATISTIKI*, publication of USSR Goskomstat, was also publishing them. But since the 2d half of last year they have disappeared from both publications. This is another indication of a deterioration of the economic situation. Just take this June as an example. Everyone is saying that things were particularly bad in June. I can never remember such interruptions in the payment of wages; even savings banks and the post office suspended payments for several days in some places. Desperate reports have come in from various parts of the country about motor traffic halted because of a gasoline shortage. In Kemerovo Oblast, hundreds of buses, ambulances, and police cars stood idle, and in a number of the country's regions the gathering of the harvest was hampered by the gasoline shortage. It is more than likely that the situation in the



economy deteriorated sharply in June. But just try to establish the proportions when there are no summary data!

Nor are there many other things indispensable to an analysis which were available in our countries in the twenties and which are promptly published in all civilized countries. We will be satisfied with what we do have. Even the figures published indicate a great deal.

#### What They Outlined

Before we analyze the results for the 1st half of 1989, let us recall how the planners imagined this year. It is evident today that the deterioration occurred against the background of quite optimistic planning studies. For instance, the report of the chairman of USSR Gosplan stated at the end of October 1988 that the economy had left behind the precrisis state and that a process of economic recovery had begun. He also gave high marks to the results for 1988: "An increase in the dynamic behavior of the economy has been outlined.... There have been notable shifts in the efficiency of social production. There are favorable results in the acceleration of scientific-technical progress." Our statistical service does in fact offer such a picture on the basis of indicators for the entire economy. But can we rely on it? There have already been quite a few articles on this topic, and alternative calculations have been published (including my own).<sup>2</sup> Unfortunately, the planning institutions are not taking this into account.

The report speaks in quick time about the adverse phenomena in the economy: the food supply has not improved, light industry and machinebuilding are lagging behind the targets of the FYP, and the financial situation remains problematical.

Meanwhile, an analysis shows that even in the 2d quarter the growth rates of physical indicators have dropped off greatly, but in the 3d quarter an all but general absolute decline of production had begun. According to our calculations, which are based on the dynamic behavior of physical indicators, the decline of production began even in the 2d quarter of the year. Later, it intensified. Once they had sized up the situation, the planners simply had an obligation to adopt urgency measures to save the economy even in compiling the plan for 1989, and still better, for 1988, when the real relative deterioration of the economic situation in 1987, relative to 1986, became evident.

But the real deterioration of the state of affairs could no longer be ignored completely: the imbalance between goods and money had grown, the dissatisfaction of the population with growing difficulties on the consumer market had increased, and there had been no progress in the supply of housing and services, nor in education and health care. That is why the plan for 1989 outlined a leap forward in meeting the needs of the public. It had been outlined back in the 5-year plan. It took 3 years of slowdown before there was a serious turn back toward people (with the exception of housing, where the change

of direction occurred earlier). A more rapid growth of real personal income and of capital investments in the social sphere was outlined.

A reduction of expenditures for defense and of the output of military products was projected for the change of direction toward the social sphere in 1989. The soundness of the shifts in the direction of the social sphere, so it seemed to the planners, was beyond doubt. These shifts (aside from resources made available from reduction of the military budget), in the opinion of USSR Gosplan, were based on the appreciable increase in the growth rates of the national income achieved in the years of the 5-year planning period and a further growth, at least appreciable, in 1989. A 6-percent growth in the national income produced and almost the same percentage of growth for the national income used were projected (I am giving the targets from the summary of USSR Goskomstat; in the report, the calculation is given for the plan for 1988, so that the figures there are lower). So that the projected redistribution of resources was not supposed to be "detrimental to creation of the material and technical prerequisites for expanded reproduction in the future." And as a matter of fact, investments in the production sphere, even though they experienced a small reduction, did make it possible to appreciably increase fixed productive capital.... It was assumed that the environmental situation would be visibly improved. The optimistic calculations were bound up with the transition of all branches of material production to full cost accounting (*khozyaystvennyy raschet*), which even in a partial transition yielded, it seemed, a noticeable rise in production efficiency in 1988.

Yu.D. Maslyukov preferred to readdress to the finance minister the only unpleasant news concerning the future year: the anticipated growth of the deficit in the state budget to 35 billion rubles.

But all it took was adjusting the figures for the distortions of economic information<sup>3</sup> and little was left of the rosy picture. There actually was a certain speeding up over the previous 5-year period, but only because of 1986, when the short-term administrative measures were still in effect. What is more, even that improvement was achieved mainly by the extensive method—by increasing worktime, not by improving its use.

By the time the plan for 1989 was compiled, not a trace was left of this acceleration. It had been replaced by a decline. Now there was "growth" only on paper by means of the annually adjusted price rise, which had risen to 5-6 percent and which statistical authorities had not taken into account. It just had to be taken into account (and given the budget deficit and the steps taken to carry out the economic reform, it had to rise), and the optimistic prospects for 1989 vanished. Instead of a growth of the national income, there was either stagnation or a growth of only 1 percent (we subtract from 6 percent the 5-6-percent rise of prices), stagnation of labor productivity, and a rise of materials intensiveness (since

a large growth of material consumption had been projected and stabilization of the size of the labor force in material production). Nor was there any success with the rise of the standard of living. Given the stagnation of the national income and population growth outlined, even a certain redistribution of the national income could only maintain it at the 1988 level, but it could not produce growth. Adjusted for the real rise of prices, investments in the production sphere must not have stabilized at the 1988 level, as called for by the plan, but must have dropped about 5-6 percent. This had an appreciable effect on the interests of expanded reproduction, which was maintained thanks to the increase in the value of new capital over the last several years only on the paper in the hands of the statisticians and planners.

Indicators calculated by the alternative method yield a different picture of the influence of the economic reform on matters in the economy. Commencement of its introduction was accompanied by a decline of production and of all the indicators of production efficiency, and on that basis we can assume that still greater deterioration should be expected from their further spread. The

adverse impact of partial reforms, which impart only chaos to a system that is admittedly bad, but still is a complete system, was observed in our country back in the 8th FYP (only "cunning figures" kept it from being seen), as well as in other socialist countries.

#### And What Has Happened

To describe the real dynamics (not clouded over by the concealed rise of prices) of economic development in the 1st half of the year, it is sufficient to begin with two indicators which, praise be, the statisticians have not omitted from their summaries: the dynamic behavior of electric power generated and rail freight traffic. I wrote in my previous review (EKO, No 4, 1989, p 120) about why these two indicators accurately describe the situation in the economy and about how to determine the dynamic behavior of the national income from their dynamic behavior, and I refer to that article those who are interested in the details. Table 1 represents the dynamic behavior of the national income over the first 2 quarters of 1989 as compared to the corresponding period of 1988 (to round out the picture, we have given figures for the 3d and 4th quarters of 1988).

**Dynamic Pattern of the National Income Calculated From the Dynamic Behavior of the Output of Electric Power and Rail Freight Traffic in the 1st Half of 1988 and the 1st Half of 1989, Relative to the Corresponding Period of the Previous Year, in Percentage (Based on Growth)**

Indicators	1988		1989	
	3d Quarter	4th Quarter	1st Quarter	2nd Quarter
Electric power generated	2	2	0	2
Rail freight traffic	-1	-3	-1	-3
National income (from production of electric power)	-1	-1	-3	-1
National income (from rail freight traffic)	-1	-3	-1	-3
Final estimate of growth rate of national income (line 3 + line 4)/2	-1	-2	-2	-2

These figures show that this year and the 2d half of last year there was, according to our calculations, a drop of the national income. But they still understate the size of that drop, especially in the 2d quarter. The reason is that in 1989, by comparison with last year, the rise of prices intensified. This is indicated by the acceleration of all factors affecting prices: the average wage, the growth of the money supply, the size of the deficit in the state budget. But for caution's sake, we will assume that wholesale prices rose at the level of last year. Over the last 3 quarters of last year the rates of the concealed rise of prices (and there was also a manifest increase) amounted to a rounded-off 6 percent.<sup>4</sup> In the 1st quarter of 1989, according to the data of USSR Goskomstat, the national income rose over the corresponding period of the previous year by 4 percent. If we eliminate the concealed rise of wholesale prices in the last 3 quarters of last year, we get a 2-percent decline of the national income. In the 2d quarter, the growth rate of the national income, calculated by USSR Goskomstat, dropped to 1 percent (it is easy to calculate this figure from the figures on the growth of the national income for the 1st half of

the year and the 1st quarter). Assuming the same level of growth of wholesale prices, the national income must have dropped 5 percent. And these, I repeat, are still understated estimates which do not take into account the possible acceleration of price increases. For the 1st half of the year as a whole, consequently, there was a 3.5-percent decline of the national income.

In analyzing the figures for the 1st quarter, we should take into account the unusually warm winter. It, of course, had a favorable effect on operation of all sectors of the economy. I think the mild winter also explains the slowing down of the decline in rail transportation and the decrease in residential electric power consumption, which had to have an effect on the production of electric power.

In order to gain greater confidence in the conclusion drawn concerning the size of the drop of the national income in the 2d quarter, we will look at the dynamic behavior of industrial output in the 1st and 2d quarters as compared to last year. It turned out that for the

overwhelming majority of civilian products the rate did drop, and the size of the drop was 2-3 percentage points, i.e., approximately the same amount as the dynamic behavior we calculated for the national income between the 1st and 2d quarters. The drop was obviously still greater in the defense complex (output figures are not published), which is explained by difficulties in converting from military to civilian production. Given the short-term lag between the dynamic behavior of production and shipments, the sharp drop in production in the 2d quarter should have shown up in freight traffic in the 3d quarter. Which in fact it did. In July-September, the monthly volume of freight traffic in railroad transportation, according to figures in the newspaper GUDOK, dropped 6-7 percent from the corresponding period of last year, i.e., even more than the size of the change of the national income in the 2d quarter which we computed by means of deflation (eliminating the rise of prices). The ordinary relation between the change in the national income and the volume of rail freight traffic was thereby reestablished. As for the change in electric power consumption, it does not seem possible to present the relevant data for the 3d quarter since they are not published that quickly in the periodical press. They will be known only after publication of the summary for the 3d quarter.

Aside from industry (and to a still greater degree than in industry), the dynamic behavior of the national income was affected by the deterioration of the state of affairs in capital construction.<sup>5</sup> Even a line of development such as housing construction, which has recently had priority, dropped 4 percent in both quarters. But the drop in the activation of projects in the sphere of construction of social and cultural facilities was considerably greater (as much as 40-50 percent for certain types). Yet this was a year in which an increased share of capital investments was planned for the social sphere, and consequently, the drop in the total volume of capital investments could prove to have been still greater.

The figures for the 2d quarter leave no room for doubt that the size of the critical decline did not stop at the level of the previous 2 quarters (2 percent). It was not 5 percent. Thus, if we eliminate the interruption related to the particularly favorable weather conditions in the 1st quarter, our calculations yield a consistent (1 percentage point per quarter) series of growing reductions of the national income. This unvarying and uniform change in rates, which began in 1987, makes it possible to forecast the growth rate of the national income as well. In the 3d and 4th quarters, it was a minimum of at least that same 5 percent. Consequently, for the year the decline of the national income would be 4.25 percent. We have not had such a drop of the national income in peacetime since the early thirties. In 1931-1932, the size of the drop was still greater under the impact of the sharp reduction in agricultural production, where the bulk of the able-bodied population was employed. But it is not just the large size of the possible decline (in the final analysis, it has been even greater in the capitalist countries) that is

disturbing, but also its uninterrupted nature, by contrast with the cyclical declines in the capitalist countries, when a slump is followed by a relatively rapid rise.

I do not preclude that this is a minimum estimate. Economic losses from the miners' strike even now amount to about 5 million tons of coal. Satisfying the miners' demands, according to reports in the press, requires an allocation of 3 billion rubles. This complicates both the fuel balance and also the country's financial situation. There are significant signs that there has been a weakening of work discipline among the miners,<sup>6</sup> which could cause additional economic losses. It is possible that thanks to the miners' strike we will manage to speed up the economic reform in the country and offset these losses. But this will not occur so very soon, and the losses will be evident in the immediate future.

This major drop in the national income in 1989 is determined above all by the decrease in the efficiency of social production. The number of employees in material production has continued to drop. To be sure, it dropped 1 percent last year, and somewhat less this year, only 0.3 percent. But the decisive factor was still the drop in labor productivity. According to our calculations, it fell 3.95 percent. We have not had this kind of strong drop since the beginning of the thirties. If the real volume of fixed productive capital experienced a 1-percent annual drop, as shown by our calculations, then the output-capital ratio dropped 3.25 percent.

There was also an appreciable rise in the materials intensiveness of output. We described it by using the largest types of material resources—fuel. We can calculate from the figure of USSR Goskomstat on "resource conservation" that in the 1st quarter our domestic consumption of energy resources rose 2 percent.<sup>7</sup> For the sake of reliability, we will reduce this figure on an annual basis to the rise of energy consumption of 1 percent. We still get an increase in energy intensiveness of more than 5 percent, twice as great as the annual average for the previous 13 years. Thus, whatever indicator of efficiency we take for this year, they all indicate one thing: a continuing, extremely strong drop in the efficiency of social production, such as we have not seen in our country since the early thirties.

#### Why?

In 1989, several peculiar features emerged which go a long way toward explaining the immediate causes of such a sharp drop and prefigure its continuation in the near future if present trends persist.

The growth of production in the fuel and energy complex has practically come to a halt for the first time. There is no need to prove that there is an indissoluble connection between the development of this complex and the dynamic behavior of the national income. When we compared the growth pattern of the national income with that of domestic consumption of fuel and energy resources over the last 13 years (since 1975), we noted that it exceeded the growth of the national income on an



annual basis by approximately 2.5 percentage points. If in the 1st half of this year the fuel and energy complex increased its production by only 0.1 percent, it is likely that by the end of the year this level dropped, if only because of the miners' strike. Even if the previous relations persisted between the rate of energy consumption and the growth pattern of the national income (but they increased), the latter would have to have dropped 2.5 percent, for this reason alone, and as much as 5 percent if the rise of energy intensiveness is taken into account.

Of the three main fuels (coal, petroleum, and gas), petroleum production fell 3 percent and coal 2 percent in the 1st half of the year. Gas alone showed a 4-percent growth of production, but this growth was barely half of what it has been in recent years. And it could only offset the decline in production in the petroleum and coal industries. The drop of production in the fuel industry brought about a virtual cessation (1 percent) of the growth of production of electric power in that sector that largely determines the rise of labor productivity in the economy (this is one of the most important reasons for its sharp reduction this year). Though even if there had been fuel, the growth of production of electric power would still have slowed down since the activation of power generating capacity is still not equal to the amount being retired.

The crisis in the fuel and energy complex was felt so painfully in the national economy only because we (unlike all the advanced countries) did nothing, in spite of the endless discussions of energy conservation, to actually achieve it, and we continued to increase the energy intensiveness of output still faster than in the fifties and sixties. After all, the potential for energy conservation is immense: Consumption of fuel and energy resources per unit of the national income is threefold higher in our country than in the United States, and the difference is still greater in a comparison with the countries of Western Europe and Japan.

A crisis is also noted in another heavy industry—ferrous metallurgy. It has an acute shortage of capital investments. Real activation of fixed capital has not made up for its retirement for a rather long time now. This year, ferrous metallurgy was dealt three more blows. First, collection of the scrap of ferrous metals dropped off more than 10 percent,<sup>8</sup> production of iron ore dropped (by 3 percent), and there was a decline in deliveries of coking coal. Annual production of rolled products of ferrous metals will evidently drop off for this year, which, combined with the rise of metals intensiveness, will bring about a sizable drop in the output of machine-building and construction in the coming year solely because of the shortage of rolled products of ferrous metals (when inventories held by consumers shrink; at present, they are rather large).

There have been no appreciable shifts in scientific-technical progress. However much has been said about this in the last 4 years, the results are close to nil. The

statistical service has been reporting to us the number of licenses sold,<sup>9</sup> and the reasons for the timid belittlement of this indicator have become clear. In 1987 (so far there are no figures for 1988), only 390 licenses were sold, whereas the advanced capitalist countries sell tens of thousands of them in a year.

One figure in the summary for the 1st half of the year says much about the state of affairs with scientific-technical progress. The state order for 1989 concerning delivery of fundamentally new types of equipment and material was fulfilled at a level of 16 percent in the 1st half of the year. Such a miserly percentage surprises even those of us who have become accustomed to the systematic nonfulfillment of plans.

Scientific-technical progress is being held back by the situation with activation of fixed productive capital. I cannot agree with the stubborn advocates of extensive methods, who are proposing a sharp increase in capital investments in productive plant. We have too large a potential for improved use of fixed capital and for redistribution of capital investments from sector to sector to favor the more important ones. But you can never get away from the fact that many sectors (ferrous metallurgy, the electric power industry, rail transportation, and certain others) actually do not have a shortage of fixed capital at the present level of resource utilization, while many new sectors are in a rudimentary state. Indeed, both material conservation and labor-saving require certain capital investments. Hundreds of efficient directions for scientific-technical progress are not being incorporated because of the lack of those investments. Meanwhile, an actual reduction in activation of fixed capital has begun. Goskomstat estimates it at 1.8 percent compared to last year, but when the rise of prices is taken into account (and it was at least 10 percent, according to my calculations) it would then be equal to 14-15 percent. Since at the same time nothing serious is being done to redistribute capital investments from sector to sector, this cutback in the activation of fixed productive capital will inevitably have an impact on its dynamic behavior this year and still more next year, and this will consequently affect labor productivity as well.

It is not just the quantity of output that is poor this year. Quality is also deteriorating. In the 1st quarter of this year, claims and warranty repairs on VCR's were up 49 percent over the same period of last year, on refrigerators of all types 23 percent, and washing machines 21 percent.<sup>10</sup>

It would take a genius to raise the level of the standard of living when the national income is dropping. To be sure, the figures of USSR Goskomstat create the impression that it is rising. Retail sales in state and cooperative trade rose 9.4 percent in the 1st half of the year, which should yield a growth of more than 30 billion rubles for the year. But let us figure out where that unprecedented growth came from. First, this is in part the result of the growth of sales of alcoholic beverages (28 percent). I do not mean to say that this is a wrong step, but still it is not

very convincing to present it as evidence of a rise in the prosperity of the people. Sales of consumer goods (not including alcoholic beverages) were far less than retail commodity sales—7.1 percent. But, second—and this is the most important thing—the volume of sales this year includes a particularly strong inflation component. This is indicated by the unprecedented growth of the average monthly wage of workers and employees. It was 10 percent in the 1st half of the year. And this when there was a real drop of almost 4 percent in the productivity of labor. We will use a method that is traditional in economic science: We will determine the rise of retail prices in the form of the difference between the change in the average wage and labor productivity. We get a rise of retail prices of 14 percent. The rise of wholesale prices this year will prove to be substantially lower—in our estimate it will be 8.25 percent. The widening of the gap is quite natural. In periods of very rapid growth of cash and money in circulation in an administrative economy, the distance is widened between wholesale and retail prices since prices for a social product related to the output of raw materials will not rise. The dynamic behavior of costs per unit output is determined by the ratio given. Assuming that wholesale prices change uniformly with the change of costs in all sectors of the economy and preservation of the previous values of the relative trade markups and the turnover tax, that had to be the case. That is the way it is as a rule in a market economy. But in our country prices of raw materials do not change over a lengthy period of time when costs are rising, so that costs will rise more slowly in the manufacturing branches. Nor do the relative proportions of trade discounts and the turnover tax change automatically in keeping with the rise of wholesale prices. That is why the actual level of the rise of retail prices could prove to be somewhat smaller than shown by this relation. But the difference cannot be large since the share of the raw materials branches in the volume of the gross output of the economy is negligible. I am prepared to assume that this estimate is somewhat exaggerated and that the rise of retail prices is lower, but it definitely exceeds 10 percent. This is already the frontier of double-digit inflation. When retail prices rise 10-14 percent, sales of consumer goods are dropping 3-7 percent in real terms.

The situation has not been formed identically from one commodity or service to another. Sales have dropped off for a number of foodstuffs: grain products, cheese, margarine products, fish and fish products, sugar, eggs, and potatoes. The growth has been minimal for other foodstuffs. The production and sales of a number of nonfood commodities have increased. But on the whole the volume of their sales has dropped off. While there was a 7.3-percent increase in the production of nonfood consumer goods and a substantially larger growth of retail prices, which is concentrated on nonfood commodities, their sales to the public must have dropped off. At first glance, this contradicts the increase in production of a number of nonfood commodities in physical

terms: fabrics, knitwear, shoes, television sets, refrigerators and freezers, radios, VCR's, vacuum cleaners, and a number of others. But this contradiction was obviously brought about by the drop in production of numerous other nonfood commodities. USSR Goskomstat's summary gives an 8-percent reduction for the production of automobiles, but simply ignores many other cases. The reader will easily recall such examples from his own experience. I will tell about a case that amazed me. This year, in Moscow, shoeshine boys and retail trade did not have shoe polish for shining shoes for several months. I do not recall such a case in Moscow over the last 30 years.

The deterioration of the financial situation of the population this year was not limited to the reduced sales of many goods. The 10 billion rubles of additional commodity sales outlined on the basis of imports will somewhat correct the situation, but it will not bring about a growth of sales. It is getting more and more difficult to find goods on the market, including those whose production has increased. Who has not stood in lines this year for a most vital article that until quite recently was available in abundance: soap and detergents, razor blades, toothpaste and tooth powder, shoe polish, and even salt. The long lines, the rush from store to store, the jitters, the time spent in vain, the overpayments to speculators—this is far from a complete list of the "side" effects of the growing strain on the consumer market. This has meant a deterioration in the quality of life—an indicator difficult to measure, but one which everyone feels keenly.

The decline of housing construction which began last year has continued. Its volume fell off 4 percent in the 1st half of the year. At that volume, there can be no talk of even any kind of noticeable improvement of the housing conditions of the population, much less fulfilling the housing program up to the year 2000. Yet another widely advertised program for improving the life of the population is suffering failure. Construction of social and cultural service facilities is dropping off on a still larger scale than housing (between 9 and 53 percent depending on the type of facility). There has hardly been any increase in sales of paid services. Their slight growth (11.6 percent) is probably more than offset by the rapid concealed rise of the prices of services.

The problem of the budget deficit and of the balance between goods and money, and of inflation, which have sharply intensified since last year, which was also an unfavorable year for these indicators, became extremely important this year. The budget deficit must be 100 billion rubles, 11 percent of the gross national product, which is far more than in most foreign countries. The disorganized state of the consumer market has surpassed everything remembered by the present generation of Soviet people (only the older generation will remember the highly disorganized state in the early thirties and the war years). What is more, the economic and social harm caused by inflation is far greater in our country than in countries with a market economy. There even three-digit

inflation does not necessarily wreck the economy, since almost all prices change simultaneously with income. In our country, given the extreme inflexibility of pricing and the centralization of resource distribution, even moderate inflation is able to disorganize the consumer market, intensify intersector differences in income and unjustified social stratification, and increase the power of the bureaucracy and speculators getting rich on the shortage.

The program for financial recovery began to operate in the 2d quarter, but no favorable results have been evident. On the contrary, the average wage of workers and employees rose still faster in the 2d quarter than in the 1st, and more money was issued. In the 1st half of the year, the money put into circulation was one-third greater than last year, which set a record for many years. Interruptions in the payment of wages and the withdrawal of funds from savings banks at the end of the 1st half of the year represented a gloomy result for the operation of the extraordinary program for financial recovery.

Nor has there been success this year in foreign trade. Its total volume, to be sure, has grown, even though negligibly (by 1.3 percent), whereas in the 2d half of last year it decreased. But this growth occurred exclusively because of imports, while exports dropped. For the first time (again for the first time!) in many years, then, our foreign trade showed a deficit. The growth of imports had a favorable effect on the standard of living; after all, there was a substantial growth of imports of many foodstuffs. For example, an eightfold growth for butter, 47 percent for coffee beans, 25 percent for tea. But I am not convinced that this absolutely necessary growth of imports had to be accompanied by a deficit in the trade balance. We have important opportunities for reducing many import items (for example, equipment, the stocks of which are very large). Worst of all, however, is that exports are not rising. How good it would be, for example, to increase exports of the products of machine-building. But the lag with scientific-technical progress and the deterioration of product quality erect unsurmountable obstacles to that. We are even losing those positions which seemed unshakable.

#### Who Is To Blame

The bankruptcy of our planning authorities has shown up this year as never before. Even in the past, they did not shine. Five-year plans were not fulfilled, and usually they had not been thought through when they were compiled. But earlier, annual planning at least was close to reality. This year, even the 1st quarter was not over when a complete gap opened up between the plan and reality. This was evident first of all in the relation between the planned and actual rise of the average wage. It was projected to rise by 0.9 percent,<sup>11</sup> and it actually rose 9.4 percent (10-fold more). The relation for housing was no better (-4 percent instead of +4 percent). Production of petroleum, coal, and fertilizers dropped off, rather than increasing, as called for by the plan. I will cite

only those figures which can be verified without special recomputations. Make those computations, and you get other scandalous gaps between actuality and the plan: for the dynamic pattern of the national income, the standard of living, and so on.

There is enough to make one despair. How much was said about the radical reform, the revolution, the renewal, the intensification, and the result is a new economic crisis that is still deeper than in the early eighties (at that time, the decline of the national income was 2 percent per year, and the consumer market and the budget were not so out of balance). By no means do I want to justify Brezhnevism, had it continued the situation would have been still worse. But we cannot go on forever making references to the past and ridiculing our predecessor for having been still worse.

We seem to be going back once again to the apathy and muddle of the last years of the Brezhnev era. Work discipline, technological discipline, and planning discipline are in decline: there is more absenteeism, work accidents, and planning mistakes. Alcoholism is on the rise, along with its inseparable concomitants—absenteeism, criminality (the number of offenders rose 32 percent this year, including a 14-percent increase in crimes committed under the influence). The supply to enterprises is becoming more and more disorganized.

Of course, more has happened than mere words. How many new institutions have emerged in the economy during these 4 years: joint stock societies, the cooperative, self-employment, leasing, the commercial banks, joint enterprises, family farms? But where is the result of these innovations? How could such a monstrous failure have occurred?

The numerous new forms of economic activity represent a very small scale, they have been limited by bureaucratic obstacles, and that is why they are unable to have a real impact on economic life. It is far more interesting to discover why in spite of the wonderful plans we have been unable to break up the administrative-command system. It is easiest to reduce this to the organic inability of our social system to do anything effective. It is not difficult at all to reach this conclusion if one observes the unceasing failures in the economic area during recent decades. But still, in spite of our melancholy history (and not only after, but also before the revolution), there have been successes in economic policy in Russia and the USSR. Just recall the reforms of Witte and Stolypin and the 1st year of the NEP. And the phenomenal achievements of I.N. Khudenko and S.N. Fedorov even in our own time! Why is it that we are pursued exclusively by failures, as though they were fate itself?

Of course, it is not easy and is even problematical to achieve success in our economic and social system with people subjected to the disintegrating effect of decades of terror, lies, and a social security economy, even with the



most well-thought-out actions and talented leaders. But has everything been done that needed to be done in these 4 years?

Who drafted the economic reforms which have so irresponsibly led toward exceedingly important socioeconomic problems crucial to the country? So far, their names have not been mentioned, and their activity has not been evaluated.

A very suitable occasion for this kind of evaluation presented itself when the new government was being formed in the USSR Congress of People's Deputies and in the session of the USSR Supreme Soviet. One might have anticipated that in selection of its members the deputies would "put questions" to all the candidates from the previous government as to the results of the activity of the departments they headed. But this occurred only in rare cases. Thus, the specific culprits were not discovered for failures in carrying out the economic reform in 1987, in compiling the plan for this year, those responsible for the immense budget deficit, which is a mine with an immense destructive force for our economy and the entire society, and responsible for a number of other failures and mistakes in economic policy. Should we be surprised if the economic failures become even greater in the future, given this kind of "absolution of the sins" of our economic managers?

#### Note From the Editors

At one time, our domestic field of statistics was among the most advanced in the world. But the undivided triumph of ideology over economics resulted in the extinction of skills in working with statistical material.

Perestroika has come along and discovered that a majority of economists have a fairly good mastery of words, but a poor mastery of figures. The author of the review being offered to the readers, like many others, has an anxious attitude toward economic information, combined with an almost complete lack of it. It is as though a combination of love and shortage resulted in the construction of an extremely simple method by which economic development can be judged from the volume of production of electric power and the freight traffic of rail transportation. The review being offered is a quickie analysis; it records the symptoms of the disease, leaving a more precise diagnosis, investigation of the causes and methods of treatment for more thorough research.

This reduction of the number of indicators is one of the evidences of the loss of confidence in value indicators in which an estimate of the future is constructed from the dynamic pattern of output of "the most important products." There are in turn a great number of methods, both substantive and formal, for selecting those representative products. Refined and complicated mathematical methods usually have to be used to construct a simple, but reliable model. That is why when the stage of selection is omitted, this evokes perplexity, though, to be sure, only among specialists.

But simplicity has to be paid for, nothing is free. Simplification requires that we make a priori assumptions (clearly stated or self-evident) as to the observance of certain conditions in economic development. In discussing the review of G.I. Khanin in the EKO editorial collegium, the discussion turned specifically on those a priori hypotheses hidden in the author's conclusions.

The main assumption is that nothing major can occur in the present economy. For that reason, no other indicators are needed that would detect future qualitative changes. In such an approach, the a priori hypothesis and the conclusion lend support to one another. If you do not have fundamental belief in a better future, then there is no array of figures that is going to convince you of it. Still less if you limit yourself to only two indicators.

Along with this main assumption, others were also noted. It is well-known that approximately a fourth of rail freight traffic is not needed by the economy. If we are relying on this one indicator, then any optimization of freight flows could be taken as a symptom of crisis. Qualitative shifts in the economy, improvement of its structure, the emergence of new goods, on the contrary, have little connection to the volume of freight shipments and the amount of electric power generated.

The limited nature of the simplified method becomes still more manifest in analyzing the economic development of those countries where decisive changes are taking place in the structure of the economy.

The simplification also has to do with qualitative characteristics of the very production processes involved in generating electric power and carrying freight. In and of themselves, the overall figures do not reflect either the continuity of the supply of electric power, or the effectiveness of its use, or the quality of the current (stability of frequency and voltage). The volume of freight flow to an equal degree fails to indicate whether freight was delivered on time and without losses. In other words, the volume says little about the correctness of fulfillment of the relevant functions or of their violation.

There are initial assumptions which were not fulfilled precisely concerning the period being analyzed: as a matter of fact, the winter was unusually warm, there were major accidents and a blockade in transportation, and the power industry and transportation were affected by strikes. Each of these events influenced the dynamic behavior of the two indicators selected. But how? Here, the author limits himself to general remarks, and it would be good to turn to other indicators. But the simplified method makes this difficult. So, there should be no monopoly of methods, and that also applies to Goskomstat.

During the editorial collegium, regret was expressed that the review might give a wrong impression about the level of present research in the field of statistics and dynamic economic behavior. But in spite of all those remarks, the editorial collegium came to the conclusion that G.I.



Khanin's review is of undoubted use to most readers. We will make every effort to continue to publish this kind of article in EKO.

#### Footnotes

1. I. Miroshnik, "So That There Will Be Bread," PRAVDA, 10 July 1989, p 7.
2. The relevant data are contained in the economic review for 1988 (EKO, No 4, 1989).
3. We have written repeatedly about methods of removing these distortions. See, in particular, KOMMUNIST, No 17, 1988.
4. EKO, No 4, 1984, p 123.
5. Its growth, according to data of USSR Goskomstat, fell from 5 percent in the 1st quarter to 1 percent in the 2d quarter.
6. G. Dorofeyev, "Life After the Strike," SOTS. INDUSTRIYA, 14 July 1989.
7. For some reason, no absolute data on fuel conservation are given for the half-year.
8. G. Yastrebtsov, "The Phoenix," PRAVDA, 9 March 1989.
9. "SSSR v tsifrakh v 1988 g." [The USSR in Figures in 1988], Moscow, 1989, p 164.
10. V. Parfenov, "Not Waiting for Manna From Heaven," PRAVDA, 14 July 1989.
11. For some reason, they substituted this figure from the summary for the 1st quarter by a larger one in the summary for the 1st half of the year.

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#### 1990 Plan 'Unrealistic' Without Higher Investment

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No 1, Jan 90 pp 89-94

[Article by K.K. Valtukh, doctor of economic sciences, Institute for the Economics and Organization of Industrial Production of the Siberian Branch of the USSR Academy of Sciences, Novosibirsk: "Too Slow a Realization of Reality"]

[Text] This note is being published at a time when the Law on the State Plan for the Economic and Social Development of the USSR for 1990 has already been adopted.<sup>1</sup> Nevertheless, it is worth going back to the report of the government concerning the draft of that plan, which was presented to the USSR Supreme Soviet by L.A. Voronin (PRAVDA, 26 September 1989). The report showed that in the circles responsible for the

guidance of our economy they are beginning to be aware of the real limited nature of the opportunities for growth of production with the productive plant that exists. Still, illusions in this regard have by no means been overcome as yet.

But were there illusions? If we look at the material of the 27th party congress, we see that a sober view of things prevailed at that forum. M.S. Gorbachev pointed out directly that "without accelerated growth of the economy, social programs will remain fond wishes," and that "it is impossible to achieve major changes on the previous material and technical base."

The June (1987) Plenum of the Central Committee adopted rather well-balanced decisions aimed at a simultaneous strengthening of both the centralized and decentralized principles in management of the economy. To be sure, only the decisions on decentralization afterward acquired the status of a law, but that law itself already expressed unrealizable hopes for the benefit from cost accounting (khozraschet) in an unbalanced economy. In fact, the leaders of the economy took as their point of departure that in the existing technological system there is a very large potential for increasing output and for improving product quality, which could be achieved without radical reconstruction, by expanding the independence of lower-level economic entities. They were clearly counting on an interest in current income forcing enterprise collectives to mobilize their potential and rapidly expand production on an appreciable scale. It is on this illusion that the plan for 1989 was constructed. Its failure (instead of an accelerated development of industry, there has been a further slowdown, there was a shortfall of agricultural output, and so on) was enough to sober up those optimists who were furthest from reality. Yet there still has not been a complete renunciation of illusions.

The report of L.A. Voronin is full of striking contradictions. We must welcome the fact that in that section of the report devoted to the economic situation in the country at the beginning of 1990, figures are not given (by contrast with reports of this kind in the past) on the growth of industrial output, national income, and so on, in so-called constant prices: It is well-known that while this method of determining those prices was in effect in our country and in a situation that forced a concealed growth of prices, it was this concealed growth that proved to be the decisive factor in the reported "growth of production." As has long ago been done by sufficiently responsible scientists, L.A. Voronin offers estimates of the development of production on the basis of direct examination of output in physical terms: "During the first 8 months of the current year, production was lower than for the same period of last year for 62 out of the 178 most important products on which statistics are monitored by the state. They include such strategic products as petroleum, coal, gasoline and diesel fuel, fertilizer, chemical fibers, lumber, paper pulp, cardboard, hosiery, sugar, flour, and so on." It would have been better to go

all the way and completely refrain from the totals published by Goskomstat for recent years. But they are given in the section of the report entitled "General Economic Indicators and Proportions." Meanwhile, the fictitious price component of these quantities decisively determines the value of rates at the present time. For instance, an analysis of the indicators of the growth of industrial output over the period 1986-1988 in physical terms, which was done in the Institute for the Economics and Organization of Industrial Production of the Siberian Branch of the USSR Academy of Sciences, showed that the total real growth resulting over those 3 years did not exceed 4 percent. But Goskomstat asserts that the growth was 13 percent. Now, when the task is being taken up to increase, say, the national income on the basis of end use in 1990 by 3.6 percent, this is nothing other than stimulating a concealed rise of prices in order to maintain the "prestige of the plan."

Cost accounting is a complicated thing. Beyond question—and this is confirmed by periods of really rapid economic boom, cost accounting can play a major positive role in mobilizing group interest (if you like—group egoism) in fuller utilization of the potential that is untapped within the production entity. But if the effect is to be systematic, that potential has to be penetrated constantly, which presupposes technical progress and a corresponding change of proportions on the scale of the economy as a whole. Khozraschet in its constructive meaning signifies that enterprises have not only an incentive to earn money, but also opportunities to make effective use of the money they have earned: to buy resources for technological renewal of production, to expand production of the highest-quality goods, and so on. In our profoundly disproportionate economy, the necessary conditions simply do not exist for the large-scale constructive effect of cost accounting.

At present, almost every enterprise has important opportunities for increasing the output per worker—by intensification of work, by getting rid of hidden unemployment. But the additional output here will occur on a minimal scale: It is determined by production capacities, which, especially when disproportions in our economy are taken into effect, are close to being exhausted.

It is a very difficult job to displace from production millions of people who are already employed in it, and our society does not have a vigorous desire to do this. Nor does it want large-scale unemployment among young people, although refusal to hire them has already become widespread as a result of the one-sided development of cost accounting.

What can cost accounting generate in a disproportional economy? Most easily and broadly a rise of wages and profit with no connection whatsoever to a growth of production, by virtue of a hidden and open rise of prices based on shortage. (The spread of so-called negotiated prices only creates one of the conditions for this.) This has in fact occurred.

L.A. Voronin has acknowledged that "at this point, it is no longer just a question of the 'burden' of the past. The imbalance that piled up over the years is, of course, at the bottom of our difficulties. But the intensification of that imbalance is the result of the combined effect on the economy of an entire assemblage of negative phenomena and tendency which are quite new and which have manifested themselves with particular force over the last 2 years." Among these phenomena, he points to the "decline of work discipline and performance discipline," "decline in responsibility for (?—K.V.) contractual and planning obligations," relating this for some reason to the "increased political activity of the masses." It is quite right that "the economic independence of enterprises that has been achieved today...has brought about a powerful explosion of group egoism that is expressed in creation of conditions for inflation of profit through prices, resulting in income and remuneration of labor." But this is manifestly contradicted by the assertion: "Now, every worker is really relating his personal prosperity more and more to the prosperity of his production unit." And it is quite obvious that the plan for 1990 once again takes that illusion as its point of departure.

We do need cost accounting. But it will yield those constructive results which are counted on and which it really can produce, but not in just any technological system. Cost accounting that operates constructively can be introduced only into a technological system that is balanced from the standpoint of the requirements of current production and—which is the main thing—the requirements of technological transformations. That is why the evolution of constructive cost accounting is possible only in combination with and to the extent of the evolution of that kind of technological system. This requires transformation of the existing productive plant on the scale of the country as a whole, which is impossible simply through the initiative of economic entities at the lower level. It is above all a matter for centralized management of the economy. All that we have said fully applies to leasing and the cooperative. The negative consequences of the latter's one-sided development are well-known to society and were vividly described in the report of L.A. Voronin.

But what is centralized management of the economy? The principal instrument whereby the center has a real impact on the state of the technological system is the capital investments which it makes on behalf of the widespread dissemination of new technologies that embody those advances of the scientific-technical revolution which are the highest in their efficiency. That requires creating from scratch or substantially expanding capacities for the production of progressive machines and equipment anticipatory preparation of transportation, communications, project designing and construction organizations, and so on. But the government is proposing and the Supreme Soviet is making the decision: to reduce precisely this form of capital investments.

However strange it might seem, the argument to support this is presented in the section of the report called

"Extraordinary Measures in the Plan for 1990 for Economic Recovery." The argument is based on the need for so-called "financial recovery," which is not at all the same thing as economic recovery. On the contrary, it must be understood that the financial difficulties were aggravated precisely because the one-sided development of cost accounting brought about a redistribution of money resources in the direction of lower-level economic entities, some of which did not want and some of which were simply unable to use these resources for development of production. It will not be possible to overcome financial difficulties by cutting back centralized investments. This method only prepares the prerequisites for a further exacerbation of the difficulties. Sometimes a reduction of investments is justified by counting on accelerated activation of projects which have not been completed at the present time. But there is sound basis for supposing that the adequate physical volume of work does not stand behind the very large sums of money written off for unfinished projects. It would be very worthwhile to obtain real information on the state of partial completion of construction by conducting a statistical survey of this category throughout the entire union.

To be fair, we should note that the report also contained a section devoted to "problems in overcoming certain consequences of the extraordinary measures adopted in the plan." But perhaps it is not worth taking emergency measures that give rise to the need for other emergency measures aimed at overcoming the consequences of the first ones?

To be fair, we should also note that the report spoke about the need for further accelerated development of machinebuilding. But this is not enough. There is a need to develop construction and installation organizations, but the prescription calls for outright liquidation of many such organizations and the retraining of their workers. We need to develop the production of new building materials. We need reconstruction of ferrous and nonferrous metallurgy—meanwhile, investments in these sectors are to be cut back. We need to develop an interrelated set of highly effective production operations in the chemical industry, but the relevant investments are again to be cut back, and so on, and so forth.

The Supreme Soviet has adopted the proposals of the government, which concentrate in the hands of the center only the heavy industries and production operations. We must be aware that under these conditions the reduction of centralized investments is a blow precisely to the heavy industries. At the same time, the government has demanded—and obtained from the Supreme Soviet—extraordinary powers to restore order in those very sectors. Now, after many years of economy in the development of these sectors, such powers are evidently indispensable. But they do not take the place of investments directed toward technological transformation and

expansion of the capacities of transportation, communications, the fuel and power industry, machinebuilding, metallurgy, the chemical industry, and other heavy industries.

The policy of economic recovery and the policy of reducing capital investments in the production sphere, especially centralized investments, are incompatible. As for the latter, it has already brought our economy to a state of crisis, degradation, and dissolution. A policy of that kind has continued at least from the 9th through the 12th FYP's. The country's leadership is proclaiming the need for complete replacement of the previous economic policy. But that replacement is impossible if the previous policy is continued at its decisive point: in attempts to solve current problems by cutting back efforts to solve strategic problems.

#### Footnote

1. The author is developing ideas which he expressed in EKO (No 9, 1989)—editor's note.

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## INVESTMENT, PRICES, BUDGET, FINANCE

### Effectiveness of Currency Reform Debated

#### Restore Workers' Trust in Government

904A0218A Moscow TRUD in Russian 28 Feb 90 p 2

[Article by V. Naumov, doctor of economic sciences, under the heading "Currency Reform: Pros and Cons": "Take Away the Mafia's Accumulation"]

[Text] The country inherited an imbalanced consumer market and disorganized currency circulation from the period of stagnation. The tendencies have not been overcome during the years of perestroika; on the contrary, they have intensified and assumed crisis form. The growth of the population's money incomes and its accumulations in the form of cash on hand and deposits has accelerated sharply. Thus, the average annual growth of the wage fund of blue- and white-collar workers increased from 4.4 percent between 1986 and 1988 to 9 percent in 1989. This rate of growth significantly outpaces the production of consumer goods. As a result, the population's deposits in savings banks have increased sharply—from an average of 12.8 billion rubles per year between 1986 and 1988 to 41 billion rubles in 1989. The total sum of unsatisfied demand surpassed 150 billion rubles last year.

The majority of the population does not have money accumulations or has a minimal amount. These people keep money in savings accounts often because it is not easy for us to quickly acquire a motor vehicle, summer



home, and now even a television or refrigerator. Most of the money accumulations are concentrated in a small part of the population, mainly with shrewd businessmen of the "shadow" economy.

These incomes and accumulations are quite impressive: according to various estimates, the number of underground millionaires in this mafia ranges from 30,000 to 100,000 or more, and their money accumulations can reach as high as 70-100 billion rubles or more. Up to a certain moment, these accumulations can be at a state of "rest," including in the form of deposits, but they can immediately be put into motion and be used by the mafia for mercenary purposes. For example, if the country's laws were to authorize the sale of stock shares in state enterprises and other national resources, these accumulations would be used to acquire them. The mafia would gain an opportunity not only to "launder" their illegal accumulations, but also to turn them into capital, that is, into a means of exploiting wage labor.

Various methods of normalizing the consumer market and currency circulation exist. Thus, the USSR government has proposed using a number of new avenues of "tying up" money—by selling stock shares and apartments to citizens, transferring to them sections of land on a long-term lease, increasing the interest for keeping money in a savings bank, and making interest-free loans to acquire scarce goods. These measures would help to partially improve the sphere of commodity and currency circulation, but they are far from being sufficient to solve the problem as a whole and, on their part, are capable of giving rise to negative processes in the future.

For example, increasing interest rates with a slow pace of development of the economy will cause an increase in internal debt, which with a reduction in production investments and a slowdown in the development of heavy industry will sharply restrict the possibilities of development of the economy in the future. Selling shares of stock will only increase the might of the mafia and its capability to influence the state machinery; the sale of apartments may limit the possibilities of providing apartments on socially preferential terms to the poorest sections of the population in special need of assistance from society.

I believe that currency reform, on which there are various opinions, could play a significant role in normalizing the sphere of commodity and currency circulation. Opponents of reform justify their attitude toward it by the following: it will not eliminate the causes of the imbalance of the consumer market, will harm individuals having earned savings, will undermine the people's trust in the state, and will require substantial expenditures for its implementation. They also say that the reform will cause price-fixing, operators would exchange their money using their stooges, and the reform would not achieve its goal.

Some of these reasons are not unfounded. Reform undoubtedly would require expenditures for its implementation. But they cannot compare to the expected results, measured in the many billions of losses by shrewd operators of the shadow economy in favor of society. Reform would not inflict losses on earned income, since they can be exchanged fully. Its goal is not to balance current incomes with resources of consumer goods and services—this must be done by regulating current money incomes. The goal of the reform is different: it is to reduce the amount of previously accumulated money through a partial seizure of it from the mafia and thus weaken its pressure on the consumer market and prices and lessen social tension.

To prevent possible abuses when exchanging money, it is proposed, first of all, that exchanges of money above the established maximum and with the lack of confirmation that it is earned income be done on a regressive scale and, secondly, that criminal liability be established with respect to individuals who violate the terms of the exchange.

Implementation of the reform on the above terms not only will not undermine the people's trust in government but, on the contrary, will strengthen this trust, for the working people will be convinced that the government is protecting their interests. The fundamental possibility of price-fixing occurring is not ruled out, but, first of all, it usually is limited to the group of expensive goods which are in short supply today (cars, jewelry, rugs, and so forth). Secondly, it usually occurs on the basis of unearned savings, and this simplifies the problem of its regulation by administrative methods.

Implementing currency reform will help create conditions for normal functioning of the market, will improve the social situation in the country, and will make it possible to avoid an excessive increase in retail prices, which inevitably would affect the interests of broad sections of the population, and significantly limit the possibilities of turning the illegal accumulations of shrewd operators of the shadow economy into means of exploiting the working people.

### Stricter Monetary Policy Urged

904A0218B Moscow TRUD in Russian 28 Feb 90 p 2

[Article by V. Perlamutrov, doctor of economic sciences, under the heading "Currency Reform: Pros and Cons": "Make the State Bank the Master"]

[Text] Kozma Prutkov tells this story. A certain general surrendered a fortress without a single shot. He was brought to court for trial. They demanded an explanation. He replied: "There were 18 reasons for that. The first reason was that there was no gunpowder..."

In today's debate about whether or not to implement currency reform, one could probably find more than 18 reasons, but the first and indisputable one—like the ill-starred general's lack of gunpowder—is this: currency

reforms are never and nowhere first discussed with the people. They can be successful only if their implementation is unexpected and a surprise.

People wake up one beautiful morning and find out that what was a ruble yesterday is a 50-kopeck piece today. Otherwise the goal will never be achieved.

I will venture to make an analogy: the militia decides to conduct an operation to seize stolen property from thieves. (Incidentally, supporters of reform consider this almost the principal goal.) Imagine this then being actively discussed in the newspapers and on radio and television. Do you think the operation would be successful?

We have had two currency reforms in the postwar years—in 1947 and 1961. They largely differed, but both were distinguished by secrecy and surprise. The country woke up and found out that on that day a ruble had become a 10-kopeck piece.

This does not mean, of course, that there was no preparatory work. There was, and quite a significant amount. The USSR people's commissar of finance, A.G. Zverev, first reported the plan for the 1947 reform to the government shortly after the Battle of Stalingrad—in the winter of 1943. Under the simpler and considerably less effective reform of 1961, just the making of new bank notes took many months. As this went on, the the skilled craftsmen of the State Bank Note Factory even modernized the minting machines—otherwise the deadlines would not have been met. The famous Russian minister of finance, S.Yu. Vitte, spent 16 years preparing his reform of 1897. Is that a long time? A very long time. But as a result, the ruble became a gold ruble, equal to any other currency of that time.

This practice is the same throughout the world as it is in our country. In West Germany in 1948, currency reform was implemented suddenly, in one day. I had the opportunity to be an outside witness to the devaluation of the Swedish krona in the fall of 1981. The government's decision was announced on a Sunday in September. Several days later we spoke with the economic adviser to the prime minister. "How did you count the variants of the decision, what methods were used?" we asked. He took a simple calculator from his pocket. "We calculated on this computer. There were three people in all of Sweden who were aware of what was going on. Of course, this is not a precise calculation, but in such matters, you know, it is secrecy and not accuracy that is the main thing. We achieved this. Now the country's economy will become more competitive in all markets." And he turned out to be right.

Another thing. Since I am sure the editor will not give me space for all "18 reasons," I will touch on only one—in my opinion, the main one. If a water faucet breaks, the bad landlord grabs for the rags, but the good landlord fixes the faucet. In recent years in our country, the stream from the currency faucet has been sharply

gushing over the stream from another faucet—the commodity faucet. That is why everything is disappearing from the store shelves.

The currency reform being proposed is "mopping up the water" from the floor with rags. But the faucet will still gush. What are we to do to, implement reforms every few years? But, you see, it is clear that such a tactic does not make any sense. With such an approach we will zealously fight the effect without touching the cause. Would physicians be good if they fought the manifestations of a disease instead of the causes?...

In order to decrease the mass of money, we must first eliminate its cause—turn off the faucet, and then we can mop up the floor with rags...

During many long years, a twisted structure of the national economy took shape in our country—with a sharp predominance of the raw materials, fuel, and machine building sectors and a lagging of the light, food, and medical industries. You see, the former produce mainly semifinished goods. Ore, machine tools, and steel are only the beginning of the very long production chain of the national economy. When they turn into houses, clothing, shoes, appliances, furniture, and the like, then the store shelves will grow heavy and the ruble will strengthen.

So, the main thing is to implement steadily and quickly the course taken by the government for an accelerated, surpassing development of production facilities working directly on satisfying the needs of people. This means to direct new capital investments mainly toward construction, reconstruction, and modernization of group "B" plants and factories.

But let us go farther. Let us ask, like in a school arithmetic book: from what basin is the currency stream coming? The answer is clear: from the basin called the State Bank. "Is it operating so poorly?" the reader will wonder. I will answer: it has been put in such a position that it cannot control the pressure of the stream. There are many chiefs above the State Bank: the government, the Gosplan, the Ministry of Finance, and the State Committee on Prices. Today, the State Bank is a plumber in whose hands there is no set of wrenches, no new washers, no packing... But it should be that it is not the State Bank that is commanded, but the chairman of the Gosplan and the head of the government should come to the State Bank with requests... And the State Bank, like a diligent master of the country's money, should hold them accountable: if you are going to build a plant in 10 years, I will not give you the money. But if you do it in 1-2 years, here's the money. And with repayment! For the time being, it only carries out the orders of those departments who are not responsible for the "faucet." So, the State Bank must be given not only responsibility, but also sufficient rights. Nowhere in the world will you find a country's central bank that has few rights and is so humbled.

Lately we have been assimilating the truth: a civilized state is based on independence of the three main powers—legislative, executive, and judicial. But we were very late in doing so: this truth was discovered by the great French scholars in the 18th century. In order to keep from lagging behind the times, we must assimilate the truth of the 20th century—a civilized state must be based on four main powers: legislative, executive, judicial, and banking. Then the flow of money will be strictly regulated. The ruble will become strong. If that happens, dire measures like currency reform will not be necessary.

Finally, there is no doubt that we must immobilize the assets that have been accumulated in the hands of various narrow-minded people and thieves. How can we do this? We must adopt a series of harsh legislative measures against those who have grabbed up what does not belong to them. This includes switching to payment by check for purchases of all more or less expensive goods. Introduce declarations on family income, which will be submitted annually to the tax inspectorate. Announce deadlines for the voluntary surrender to the state of stolen property, after which, according to reports of the tax inspectorates, a procedure will be introduced for full confiscation of property for concealment of income.

So, currency reform will not seriously provide anything in the immediate future. A strict State Bank policy, reorientation of production on consumer goods, and normalization of the state budget, banking, and finances of enterprises—this is the high road to improving the money situation. The sooner we get started on this, the closer we will be to a healthy economy and a full-value ruble.

#### **Pavlov Describes Functions, Priorities of Tax Inspectors**

904A0189A Moscow PRAVITELSTVENNYY VESTNIK in Russian No 6, Feb 90 pp 1, 2-3

[Interview with V.S. Pavlov, USSR minister of finance, by PRAVITELSTVENNYY VESTNIK correspondent Ye. Sosnin: "A Discussion About Financial Inspectors"]

[Text] *On the basis of the decree of the 2d USSR Congress of People's Deputies, "On Measures for Improving the Economy, Stages in the Economic Reform, and Fundamental Approaches to the Development of the 13th Five-Year Plan," and for purposes of improving control of the observance of legislation on taxes and the completeness and promptness of payments into the budget, the USSR Council of Ministers adopted the decree "On the State Tax Service."*

*A PRAVITELSTVENNYY VESTNIK correspondent and USSR Finance Minister V.S. Pavlov conduct a discussion of financial inspectors.*

[Sosnin] Recently, Valentin Sergeyevich, a good deal has been said about the financial ailments of our economy. How do you evaluate its condition?

[Pavlov] Yes, until quite recently the Soviet economy was traditionally regarded as financially stable. Many suffered under the illusion that it has unlimited financial capabilities and could solve any problem. Now the legend of prosperity has come to an end. For the first time in many years we have discussed among ourselves, timidly at first and then at the top of our voices, such unpleasant things as the lack of financial balance of the national economy, the budget deficit, and inflation.

There is an inseparable link between social processes and finances. They are like a barometer. If things are going well with finances the society is economically stable; if not, this means that the society is sick. The current situation is such that the financial instability of the national economy, I would say, has reached a critical scale. The budget, credit, and finances of branches and regions are deformed. The base for self-support of social reproduction is deteriorating. This is expressed in the losses, which require a large overexpenditure of monetary accumulations and immense subsidies. The state debt is growing and the domestic debt alone is approaching 400 billion rubles.

This situation today determines the strategy for crucial financial transformations. And the main thing here is in all ways to strengthen the inseparable link between finances and material production and to proceed resolutely toward breaking down the former, hopelessly outdated methods of balancing state finances.

[Sosnin] What is the government doing to improve finances and monetary circulation?

[Pavlov] When developing the plan of concrete actions for the near and the long-range future, they have mainly dealt thoroughly with rectifying the mistakes in the financial policy.

We are now relying mainly on getting rid of one of our most obsolete vices—the desire to live beyond our means. For today such a thing clearly stands in contradiction to economic methods and the economic reform. Another direction is the turn in the direction of improving regional finances. The administrative-command methods that have continued to function until recently have seriously impeded the solution to this large sociopolitical problem and unjustifiably delayed the restructuring of the budget system. And, finally, I must say that much must be done in order to develop a balanced financial policy under the conditions of perestroika. For essentially entire areas of finances have until recently been in the condition of pristine virgin land. The financial organs actually of their own accord, as before, "worked" with the ministries and not with the enterprises, that is, they were largely spinning their wheels.

In this connection it was extremely important to rapidly change the country's financial development over to a scientific and constructive basis and to provide for a comprehensive, balanced approach directed toward concrete results. The demands of real life are such that even



in the next couple of years it will be necessary to eliminate the budget deficit and take seriously the clearing up of the state debt. Without this it is simply unrealistic to speak of strengthening the ruble or normalizing monetary circulation.

Changes in finances have now been designated quite clearly and palpably. And the main thing is that there is a state program for improving the economy which was developed by the government and received the support of the 2d USSR Congress of People's Deputies.

It will also be necessary to improve the structure of public production. This can be done with the help of a more flexible mechanism and a changeover to a free influx of capital which produces maximum economic and financial advantage. This presupposes the function of a financial market. We have in mind that it will be represented by shares, bonds, special loans, notes, and treasury bonds. So the financial market (securities market) is also called upon to serve as the mechanism which will gradually make it possible to change the movement of material and monetary funds of the society to a mutually advantageous and balanced basis.

Not only economic but also organizational measures will be needed here. They will undoubtedly affect the entire financial and credit system. In this connection it is really difficult to overestimate the immense role that will have to be played in the matter of normalization and improvement of financial and budget relations in the society by the tax reform and the newly created tax service.

Its functions and general form can be determined in the following way: Providing for the implementation of the tax reform and the changeover to unified taxation throughout the entire territory of the country; the organization everywhere of control over the use of budget revenues formed as taxes and prompt and complete fulfillment of tax commitments to the state by enterprises, cooperatives, and the population.

[Sosnin] But today there are tax inspection teams in the rayon and city financial organs. Are they not doing the same thing?

[Pavlov] Of course, the tax inspection teams are not created out of nowhere. There is a certain amount of experience and we have a fairly good practice. But still these are principally different inspection teams. Those that exist today are inspection teams that work exclusively with the citizens employed in individual labor and other kinds of activity and also those that supervise cooperatives. In other words the inspection teams work with a small proportion of the payers. Moreover the rights of these inspection teams are extremely limited and one cannot count on their high effectiveness in control work.

[Sosnin] But apparently one cannot deny their contribution either. Therefore it would be interesting to know what the sphere of influence of the current financial organs is.

[Pavlov] There are about 49,000 financial inspectors in the country today, including the administration of the tax service at various levels of management and those who are employed in purely accounting functions. A little more than 40,000 people are engaged in direct operational work.

In addition to state enterprises, 23,000 cooperative and social enterprises and organizations, more than 170,000 production cooperatives, and almost 30,000 kolkhozes and interfarm organizations are under their control. One must also keep in mind joint enterprises, and there are more than 12,000 of them. Additionally it is necessary to check on the correctness of the calculation and payment of taxes on the earnings of workers and employees of a half million enterprises, institutions and organizations and investigate about a million citizens who receive income from various kinds of individual activity.

[Sosnin] What will be the organizational structure of the tax service?

[Pavlov] The apparatus for tax control, that is, those who are working in the rayon, city, or oblast, are to be separated from the financial organs. This is necessary for a number of reasons. Above all such a worker must be free of duties that are not properly his and he must concentrate his attention on the main thing—actually implementing the tax policy and at the same time disclosing, warning about, and eradicating various kinds of negative phenomena in the national economy. At the present time specialists in state revenue and taxes have to perform a number of jobs that require a significant amount of time but have nothing important to do with the main thing—precision, completeness, and promptness of tax collection.

This hierarchical structure of the new tax service will help to release it from the influence of local prejudicial tendencies on the results of inspections and will make it possible to increase the effectiveness of control work.

The relative isolation of the tax service is intended to provide through the taxation system for state interests in the area of finances. At the same time it will be the main instrument for the formation on the same principles of a revenue base for all, including local, budgets. Therefore we expect that all the work for establishing, reinforcing, and developing tax inspection teams will be conducted with the active participation and support of the soviets of people's deputies.

The experience of various countries convincingly proves that concentration of the work of this apparatus exclusively on questions of taxation and augmentation of budget resources is fully justified. Moreover there are various variants of the structure and hierarchy of the tax apparatus. In certain cases this is an apparatus that is separate from the finance ministry such as, for example, in China and Japan, and others they are structural subdivisions of the finance ministries as in Italy, England, and the United States. But in both cases this apparatus works in the same direction—the organization of strict



control over the collection of taxes for the budget and it is not linked, for example, to the functional duties performed by the finance ministry such as planning and development of draft laws, and so forth.

Under our conditions it is expedient to create a main state tax inspection team of the USSR Ministry of Finance, state tax inspection teams of the ministries of finance of the union republics, and also state tax inspection teams for the autonomous republics, krais, oblasts, districts, cities, and rayons with jurisdiction along the vertical directly under the higher inspection team, separated, as I already mentioned, from direct subordination to oblast, city, and rayon financial administrations. Here we have also taken into account the practical experience in organizing the work of the control-inspection service.

[Sosnin] Apparently a radical restructuring of taxation of the population should be a constituent part of the unified tax reform.

[Pavlov] Undoubtedly. And the decisive thing here will be the introduction of progressive taxation of the net income on the basis of a declaration. Taxation of the population will become what it should be in a socialist society, that is, selective, with a clearly marked social coloring: One approach to low and average income and another one to high income. The introduction of a progressive tax scale will help to make sure that, guided by the principle of social justice, more tax breaks will be given to the less well-off segments of the population.

[Sosnin] The tax inspection team is also responsible for checking on the correctness of the calculation and the completeness and promptness of payments into the budget by enterprises and organizations. But why are we now talking about a tax distribution of profit?

[Pavlov] For decades we tried to build relations between the enterprises and the state through the application of individual normatives so as to take into account the specific nature and peculiarities of each of them. By introducing resource payments from profit we were trying to stimulate the utilization of all production factors. It has traditionally turned out that relations with the state budget have always been an indispensable part of the administrative-command system. Where this led is well known. Interrelations between the enterprises and the budget became extremely complicated and there was still no improvement in the work of the enterprises. Moreover a situation was created wherein a number of ministries, departments, and other administrative organs began to abuse the normatives for payments from profit, definitely not to the advantage of overall state interests. Certain enterprises—no more or less than 5-6 percent of them—we given no normatives for payment from profit into the budget at all. A paradoxical situation developed in which the profit plans for the ministry or department as a whole were overfulfilled but the payments into the budget were incomplete.

Life has shown that accounts with the budget should orient the enterprise toward obtaining high and stable

final results, encourage a reduction of production expenditures, and motivate them to introduce the achievements of scientific and technical progress. The experience of foreign countries convincingly shows that the achievement of these goals is possible only if they do not have multichannel payments from profit and change over to tax methods.

[Sosnin] What will this actually do? What economic problems will we be able to solve with a tax on profit?

[Pavlov] We can already see a number of advantages. Stability of financial relations between the enterprises and the state is guaranteed. And this is very important. A real motivation is created for the businesses to increase profit. And, finally, the preconditions are met for stable revenue payments into the budget. The changeover to exacting a tax on profit also makes it possible to significantly simplify the procedure for accounts with the budget as compared to the with the current multichannel system.

One cannot forget about this circumstance either. Under the new conditions the system for distribution of profit will become adequate to the taxation systems applied in developed capitalist countries. This will be a most important prerequisite for deepening our participation in international trade and production cooperation of labor.

[Sosnin] Questions of changing over to the tax system of distribution of profit have been under discussion for a long time. Why is a practical solution to these problems so slow in coming?

[Pavlov] Apparently it is necessary to keep in mind that the mechanism for the distribution of profit is being restructured under conditions where the economy is not regulated and the price system and the market deficit have not been dealt with. The development of draft tax legislation required to the solution to a number of complex problems. It was necessary to define the object of taxation. As a result of numerous discussions the majority of scientists and practical workers have come to the conclusion that profit should be taxed at all enterprises except for cooperative ones.

It would be inexpedient to use income as an object of taxation since enterprises of various branches have significant differences in the proportions of wages in the income and the application of unified rates for the taxation of income would place labor collectives in unequal conditions. This conclusion, incidentally, is confirmed by world practice. Income tax is applied abroad basically only with respect to small business.

The question of approaches to calculating the tax rate has also arisen. Theoretically it would seem to be clear that it should take into account the interests of all participants in the process of distribution of profit. Here one should proceed from the idea that tax on profit should motivate enterprises to increase production and achieve high final results of economic activity. At the

same time under the conditions of the significant financial strain one cannot fail to take into account the state's need for revenue payments from profit, which are necessary for restructuring the economy and providing for the most important social programs.

[Sosnin] You will agree that there is a certain element of risk in the work of the tax inspector. Will it be legally protected as a representative of the state?

[Pavlov] Yes, this is a very serious subject. Everywhere we see cases of pressure on tax workers, not to mention the insults and even threats against them. Therefore the government decision contains a number of measures which will help to protect their rights, honor, and dignity.

[Sosnin] Obviously, maintaining the tax inspection teams will cost the state a pretty penny.

[Pavlov] In 1990 we shall need approximately an additional 250 million rubles from the union and republic budgets, mainly for increasing wages and providing the necessary equipment. But we must make these expenditures for they will be recouped very quickly.

We cannot but mention the poor material support for workers of financial organs. Their average wages now are 236 rubles per month. At the same time the wages of those whom they inspect are considerably higher. For example, a member of a cooperative earns an average of 500 rubles. This is why it was decided to create a certain material independence of the state controller.

[Sosnin] Tell us, will the tax service continue to do all work by hand as it has before?

[Pavlov] The rapid growth of the number of clients will definitely require equipping the tax apparatus with computers and modern computation equipment. To process the necessary data by hand would mean moving further away from the need to step up control and losing state revenues, and it would mean relying on increasing the number of personnel and not on the organization and quality of the work. Therefore the government has given instructions to provide the necessary computer and other equipment for the tax service in a short period of time.

[Sosnin] Valentin Sergeyevich! You began your labor biography as a financial inspector. In a word, this work is well known. What would you wish for those who are employed in this sphere and are preparing to enter on this path?

[Pavlov] The country's financial well-being is one of the powerful means of inspiring confidence in the party and the ideas of perestroika. I should like to wish each worker of the tax service honesty, firmness, and high professional responsibility in his difficult but noble work.

### Advantages of Subordinating State Savings Bank To Gosbank Cited

904A0138A Moscow *RABOCHAYA TRIBUNA*  
in Russian 19 Jan 90 p 1

[Interview with V.V. Gerashchenko, chairman of USSR Gosbank Administration by TASS correspondent R. Akhmetov, Moscow: "In Order for the Ruble To Work More Rapidly"]

[Text] The radical restructuring of the country's economic mechanism is being accompanied by an improvement in the financial-credit system. Changes are taking place in banking operations. The latest news: the USSR Council of Ministers has adopted a decree calling for USSR Sberbank [State Savings Bank] to be made subordinate to USSR Gosbank. In this regard, a TASS correspondent met with the chairman of the USSR Gosbank Administration V.V. Gerashchenko.

[Akhmetov] Viktor Vladimirovich, is not this transfer infringing upon the interests of Sberbank and its customers—millions of depositors?

[Gerashchenko] Not at all! It remains an independent system and one called upon primarily to accumulate the population's spare money and to provide it with loans for satisfying its needs and requirements, especially in the sphere of private housing construction. With regard to the depositors, their rights, privileges and advantages are being protected fully.

Even given the present economic imbalance, the principal mass of money available to the population, that is almost three fourths, is found in savings accounts. This convincingly confirms the traditional faith of depositors in the reliability of the guarantee given for their savings, despite the fact that we are still hearing many irresponsible statements from both the "right" and the "left" concerning the need for a monetary reform. It bears mentioning that prior to the 1947 reform only 15 percent of all of the population's money was deposited in savings bank accounts.

[Akhmetov] The country's chief bank is entering into new relationships with Sberbank. What advantages will the national economy realize from this?

[Gerashchenko] The effectiveness of the credit-banking system must be raised. I recall that prior to 1988 Gosbank was the country's principal bank and that it issued credits to the branches of the national economy, it maintained the country's accounts and it provided emission bank services. Subsequently, specialized state institutions were created: Agroprombank, Promstroybank and other banks. Commercial, cooperative, regional and local banks underwent extensive development. More than 200 of them have already been registered.

The scale of the impending operations is indeed great. A new system for inter-bank accounts must be organized, one which will be in keeping with today's level and the future development of commodity-money relationships

throughout the country. Towards this end, use can be made of Sberbank with its network of many thousands of branches. Naturally, a need will exist for solid capital investments in new equipment. Using computers and machine systems, we will be able to accelerate considerably the accounts maintained between enterprises.

In addition to accelerating inter-bank computations, the automation of Sberbank institutions will simplify municipal payments, expand the types of deposits and services and make it possible to increase the flow of money from the population. At the present time, more than 13 percent of the country's overall wage fund is being issued through Sberbank branches. The number of people who prefer this progressive method would be considerably greater if the technical base were not so backward. There have been instances of Sberbank experiencing delays in the transfer of wages. Hence the complaints and criticism.

[Akhmetov] The press has carried discussions on exactly what regional cost accounting should be like. Recommendations have been expressed calling for the republic councils of ministers and the oblispolkoms [oblast executive committees] to have money at their disposal, money attracted by banks and stored in Sberbank branches at their discretion. For example, this would be used for issuing credits to enterprises and organizations operating in their territory. How do you relate to this point of view?

[Gerashchenko] Negatively. This is nothing more than a manifestation of the obsolete administrative-command system. Only the state has Sberbank resources at its disposal and it uses them for issuing credits to the national economy. It guarantees protection for the personal savings of citizens, thus ensuring their social protection.

## INDUSTRIAL DEVELOPMENT, PERFORMANCE

### Conversion: Increased Complexity, Lower Profits at Elektrostal

90UM0231A Moscow SOVETSKAYA ROSSIYA  
in Russian 17 Jan 90 Second Edition p 2

[Interview with Elektrostal Deputy Director for Economics Igor Gerasimovich Pivovarov by economist Ye. Kondrasheva and special correspondent L. Teushchakov: "With Petition Attil, or What Is Hindering Effective Conversion"]

[Text] Our interview was preceded by a telephone call to the editor from I. Pivovarov, the deputy director for economics of the Elektrostal Plant: "I found the article 'Medicine for Cost Accounting' published in SOVETSKAYA ROSSIYA on 5 November 1989 interesting. I would like to take part in the discussion, but it would be good for me to first take your correspondents on a tour of our shops."

And so, having returned from the sweltering smelting furnaces and thundering rolling mills, we analyze what we saw and heard.

[SOVETSKAYA ROSSIYA] Igor Gerasimovich, the impression is that Elektrostal has received a "storm warning." The people are working feverishly, as if they fear that the plant might begin to list.

[Pivovarov] Well, you might say we weren't able to keep the plant from listing. What we need to think about now is how to keep from being tossed onto a sand bar. And this is so unusual for our multi-thousand collective, which has become used to being a leader.

[SOVETSKAYA ROSSIYA] How is it that in the fifth year of perestroika, the plant has suddenly become feverish?

[Pivovarov] Conversion "helped." It was quite recently that conversion unexpectedly befell our plant, one of the principal directions of which is production of high-alloy steel, including for defense industry. And it immediately generated an entire complex of problems. First of all, we were forced to change the metal assortment. And that meant assimilating new "recipes" for manufacturing our main products, and initiating production of consumer goods. As far as the latter are concerned, our approach has been to produce as large a volume of high quality goods as possible. For example, Rolling Mill No 4 is presently manufacturing blade metal, which is then shipped out of the enterprise. The problem we are now trying to resolve is that of shipping finished blades from the plant, rather than the intermediate product.

All of this is being done in a time when some of the shops, operating with obsolete equipment, are being rebuilt. Such drastic changes in production could not but have an effect on the end results. Besides an increase in the labor-intensiveness of manufacture of products designated by the conversion, you see, our income has decreased, since we lost our most expensive orders from defense industry. Thus last year the plant treasury was in the red 20 million rubles because of a shortfall in commercial production, and profit decreased by more than 6 million rubles. If we consider that the wage fund is formed on the basis of a commercial production standard, and the material incentive fund depends directly on received profit, we naturally suffered considerable losses in the wage fund. This put us on the horns of a dilemma: either reduce the number of workers, or reduce the wages of the people.

We had to fight in behalf of the interests of the workers, and we made several visits with a petition to Gosplan, the USSR Ministry of Finance and the USSR Ministry of Metallurgy. After lengthy negotiations we were able to obtain compensation for the wage fund.

[SOVETSKAYA ROSSIYA] The process of conversion is irreversible. And in connection with this, you may find yourself in an even more complex situation tomorrow.



[Pivovarov] Of course, we can't count on a rich uncle. Especially with universal transition to cost accounting and self-financing. Conversion has raised especially great concern for tomorrow, for the funds and assets which are so necessary to the enterprise's viability, and to improvement of the welfare of the metallurgists. Having analyzed our economic situation we concluded that our first cost accounting model, under which our enterprise is presently functioning, is too costly. It is no secret that it is more advantageous for a producer to manufacture expensive products, even though the consumer is overburdened by the high prices of goods even without this. And yet today's citizen—be he a producer or an ordinary customer—needs a wider assortment of articles manufactured at least expense.

In order to achieve this goal we intend to switch to a leasing contract. This cost accounting model is more progressive at the moment, since it forces us to work with maximum savings of outlays.

By switching to a leasing contract under the conditions of conversion, we will be able to first preserve our own wage fund without having to ask for compensation from the ministry, and later on perhaps we will be able to even increase the wages of the workers. Though I would have to say that in my opinion, the recently introduced extraordinary wage tax does not especially encourage the enterprise to significantly increase this fund. But we need not despair, since we can raise the welfare of the workers under a leasing system by using the assets of the social and cultural development fund. For example by organizing free meals for the evening and night shifts, by increasing the pensions of retired persons, by compensating workers for their commuting expenses and so on.

But this is all conjecture, since a leasing contract has not yet been signed with the ministry. A creative group is working at the plant under the leadership of planning department chief Yu. Anikanov; it is preparing the necessary documents.

[SOVETSKAYA ROSSIYA] The prospects are of course enticing. But where is the guarantee that you will be able to avoid excessive interference into your affairs by an authoritarian system? After all, when you switch to leasing you will hardly become free entrepreneurs.

[Pivovarov] I agree. In the presence of rigid standards, leasing would be unable to fundamentally alter the economic situation either here at Elektrostal or in the country as a whole. However, once the state order, which makes up 95 percent of our plant's work today, is reduced, the position of leasing will begin to grow stronger. And this means that we will get some working room. Even today, under the conditions of "enslavement" by the state order, we cannot deny the progressive things which leasing is introducing into mutual relations on what we call the vertical axis—that is, between the plant and the ministry. Dictatorship from above is giving way to contracts spelling out the details of all aspects of

business relations. In this case both sides bear liability for violating any of the clauses.

[SOVETSKAYA ROSSIYA] The supplements to the USSR Law on the State Enterprise (Association) also state that labor collectives are granted the right to independently resolve the issue of removing themselves from subordination to higher organizations. Would you not like to exercise this right?

[Pivovarov] It is the natural desire of every producer to rid himself as quickly as he can of the dictatorship associated with authoritarian methods of administration. Everyone understands today that the economic crisis cannot be solved by such methods. However, the experience of previous years shows that deepening of crises has been aggravated by often hasty dismantling of the components of the previous system. Let's assume that the ministries have been abolished. Do we have any other mechanisms capable of compensating for the weakening of administrative control? Perhaps not. They still need to be created. This is presently being done. Thus in addition to forming a more flexible system of vertical relations, we are introducing a new type of interrelationships on a horizontal axis of administration. I am referring to concerns.

## REGIONAL DEVELOPMENT

### **Novosibirsk Oblast Defense Plant Conversion Process Described**

904A0153A Moscow *RABOCHAYA TRIBUNA*  
in Russian 28 Jan 90 p 2

[Article by TASS correspondent V. Yelmakov: "Fact And Commentary...Conversion: The Siberian Variation"]

[Text] *The inhabitants of Novosibirsk, who had been dreaming of acquiring a computer, heard the good news: three local enterprises announced their readiness to begin the mass production of personal computers. The "Sever" and "Adron" production associations and the "Khimapparat" plant concluded agreements for their sale and delivery. These enterprises from the military sector received the opportunity to organize the production of consumer-oriented computers because of conversion.*

Local inhabitants are expecting a rapid increase in the delivery of goods for sale from plants of the military complex which occupy a prominent place in the industrial potential of the Novosibirsk oblast. These enterprises are noted for good technical equipment and they have their own NII [Scientific Research Institutes] and KB [Design Bureaus] serving their particular branch of industry. In addition, they have considerable experience in the production of "civilian" goods.

"Of course, defense enterprises are subordinate at the union level," said Yu. Ananin, chairman of the oblast soviet on conversion, in a conversation with our TASS correspondent. "And they are transferring to peacetime

production according to programs issued at the union level. In Novosibirsk they have begun fulfilling more than 20 orders for the production of equipment for the food industry and light industry—production lines for making pastries, for gutting poultry and for processing milk...

The oblast soviet on conversion, consisting of representatives from enterprises, banks, the oblistpolkom, and exploitation centers from akademgorodok [science city], compiled a list of goods sorely needed by the population. The Siberian Department of the AN SSSR [USSR Academy of Sciences] presented scientific-technical plans for those goods suited for mass production. The plans take into consideration not only the potential of the defense factories but also the oblast's financial resources and methods of cooperation with enterprises of other branches of industry.

The course has been set first and foremost for an expansion of the production of goods which the defense complex has already been producing for a number of years. This includes televisions, radios, tape recorders, furniture, and plastic items. But there will be many new products as well: a plant which produces low-voltage devices will produce electric mixers, a precision machine factory will produce microwave ovens, the V.P. Chkalov aviation factory will produce small washing machines. This year already an increase in production of over 80 percent is expected from the oblast's enterprises of the defense complex.

At the same time some alarming tendencies have arisen in the first stage of conversion implementation. At the defense enterprises the overall volume of production has fallen more rapidly than expected. This means that revenues for the collectives' social development funds have been reduced. The shops responsible for the preparation of nonstandard goods production have shown weakness. Several thousand staff specialists whose jobs were eliminated refused to be retrained in other professions and left the enterprise.

The oblast soviet on conversion will participate as actively as possible in solving the problems which have arisen. The oblast's defense complex will have to double its production of consumer goods during this five year plan. These goods are destined not only to satisfy local needs but will also be shipped to all the republics.

#### **New Commercial Bank Opens In Ashkhabad**

904A0153B Moscow IZVESTIYA in Russian  
28 Jan 90 Morning Edition p 1

[Article by IZVESTIYA correspondent V. Kuleshov: "Commercial Bank Opens"]

[Text] The first regional commercial bank in the republic, "Senagat" ("Industry") has opened in Ashkhabad. Its founders and shareholders are industrial enterprises and organizations whose officers have become members of the

board of directors. The founding organizations have made deposits which earn higher than normal interest rates.

"The mobilization of available resources will allow the extension of credit not only to those organizations which are in need of a boost to their economic activities but also to those whose activities are vital for improvement of the region's social sphere," says N. Suyunov, chairman of the bank's board of directors. "At the present time the bank has decided to invest resources in the construction of a high-capacity cement plant in Gaurdak, the center of valuable mineral deposits in the eastern part of Turkmeniya. In this way we will participate directly in solving the republic's housing problem."

Construction, reconstruction and equipping industrial shops which produce consumer goods, the development of enterprises in the service sphere, attracting investment from the general population of the republic, and issuing securities are all some of the things being planned by "Senagat."

#### **ESSR Finance Minister Outlines Main Points of 1990 Budget**

904A0139A Tallinn SOVETSKAYA ESTONIYA  
in Russian 29 Dec 89 p 2

[Report by E. Myandmaa, minister of finance of the Estonian SSR and deputy, delivered 28 December 1989 to the 13th Session of the Supreme Soviet of the Estonian SSR, 11th Convocation]

[Text] Dear deputies!

In just a few days a new year will begin for our republic, the first year concerned with converting over to sovereignty and economic independence.

The next year must become a basic turning point in our conversion over from command economics and directive planning to management based upon the principles of a market economy. Under these conditions, a very important role will be played by the mechanism for regulating the economy, including the state budget.

Thus it is understandable that the formation of a draft budget has proceeded somewhat differently than in past years. Naturally, this created an extremely grave situation in economics and finance. The republic's government has discussed the draft budget thoroughly during four meetings.

Prior to the adoption of the final decision, an independent committee was created under the direction of deputy to the ESSR Supreme Soviet and Academician Raymond Khagelberg. Taking into account only the evaluation by this committee, the government decided to present us with the draft budget for review. Moreover, the government is aware that this draft does not take into account some very important cost accounting regulators, such as the new tax system, a change in the prices and rates and also the non-budgetary funds, since they are lacking at the present time.

The draft laws and decrees for specific taxes, the price and rate problems, the status of the non-budgetary funds and the mechanisms for their action are under review at the present time.

These questions are vitally important for each enterprise and economic organization and the question of taxes imposed upon the population and prices and rates—of importance to each inhabitant. It is for this reason that the adoption of decisions requires preliminary and thorough consideration, computations and also discussion with the people. In connection with the formation of a new governmental structure, a change is also taking place in the structure of state budgetary expenditures.

Taking into account today's true situation and also the need for ensuring the complete receipt of income and uninterrupted financing of the national economy and the social sphere during the initial period of next year, the government considers it advisable at the present time to approve the state budget as presented and hopes for your support. The government is aware that following resolution of the above-mentioned problems the budget will be subject to reformation. It is a question of time. In the opinion of the government, the new draft state budget, which takes into account more completely the 18 May 1989 ESSR law entitled "Cost Accounting Principles for the Estonian SSR," must be presented to the ESSR Supreme Soviet no later than 1 June of next year. This recommendation is included in the draft ESSR law entitled "Draft State Budget of the Estonian SSR for 1990."

Allow me to report the principal initial positions and key questions of the draft budget.

On the whole, the state budget for this year, including both the republic and local budgets, is being carried out rather well.

The plans will be fulfilled in terms of all of the principal types of income.

The income plan of local budgets for 9 months was over-fulfilled by roughly 11 percent. But in the case of broad monetary potential in several cities and rayons, unwarranted and unjustified expenditures were carried out.

This year the income plan for the republic's budget will be over-fulfilled by roughly 60 million rubles. Taking into account the net budgetary surplus at the beginning of the year and the above-plan income receipts and also the additional funds allocated during the course of executing the budget using these funds, approximately 60 million rubles will be used for covering the budgetary deficit for this current year, that is, 101.6 million rubles. As a result, roughly 40 million rubles worth of the deficit will remain uncovered.

In connection with the conversion of the republic over to cost accounting, the republic's government has decided not to take out a 3 percent loan from the union budget for covering the deficit, but instead it will pay this amount of

bank credit for covering the price differences for meat and milk. From this debt, it will also be necessary to pay 3 percent interest to the bank from the budget.

One key question when preparing the budget was that of defining the relationship of the republic's budget to the union budget, in terms of both the total amount of payment into the union budget and also the manner in which this payment is to be made. This work continued for more than 6 months together with active parliamentary and political work.

Although the desired result was achieved with regard to the manner in which this payment was to be made, nevertheless the amount of this payment, notwithstanding efforts by the government, was not satisfactory. And as you know, the ESSR Supreme Soviet, in its decree of 6 December this year, halted action on this article of USSR law and is petitioning for a reduction in the payment.

In the draft budget for our republic and in the relationships with the union budget, two substantial changes were taken into account.

First of all, the difference between the purchase and accounting prices for meat and milk products sold to the all-union fund, is no longer being paid for out of our republic's budget, as was earlier the case, but rather it is being paid for out of the union budget. According to the plan for this year, these payments will amount to 203.4 million rubles.

And secondly. Funds for the payment of state pensions to non-working pensioners are not being transferred from the all-union budget for social insurance to the republic's budget. They will be paid from the republic's budget. In this regard, the budgetary expenditures are increasing by 254.6 million rubles.

In addition and for the purpose of reducing the all-state budgetary deficit and partially solving the various acute social problems, the Supreme Soviet and the Council of Ministers of the Soviet Union decided to adopt a number of measures aimed at mobilizing additional funds. These funds have also been taken into account in the budgetary income of the union republics and in the relationships with the union budget.

The principal such funds are as follows:

—For the purpose of economizing on diesel fuel, on 1 January higher wholesale prices will be introduced, as a result of which the turnover tax in our republic will increase by R42.5 million. The increase in expenditures of diesel fuel consumers and the reduction of profit payments to the budget are envisaged only in the areas of agriculture and public transportation;



—commencing 1 January, the rates for freight shipments using all types of transport are being raised. As a result, growth in income and budgetary payments by transport organizations will be fully taken into account in state budgetary income, while growth in the expenditures of customers will be considered only in the amount of 70 percent.

In conformity with the USSR law and the decree of the USSR Council of Ministers governing the state budget for 1990, the plans call for the issuing of a 5 percent internal loan for covering the state budgetary deficit for next year. It will be issued on a voluntary basis among state, cooperative and other public organizations and enterprises and also credit institutions. Interest-free special purpose loans will be made available to the population for acquiring motor vehicles, refrigerators and some other goods for long-term use and also for selling to the population—state treasury notes at a rate of 5 percent annual interest. The funds obtained in this manner will be directed towards the repayment of state loans taken out during the 1954-1956 period.

In conformity with the law governing the budget, which was approved by the ESSR Supreme Soviet, the government has presented for approval a draft state budget for next year. According to concepts which have existed up until the present time—the republic's budget. In that portion of the budgets for the local self-government of republic cities and rayons, only the normatives for withholdings from overall state income, that is, from turnover tax and income tax from manual and office workers and also subsidies issued from the state budget to 10 rayon budgets for covering an income deficit in the amount of 38.79 million rubles, are subject to approval by the ESSR Supreme Soviet.

Based upon these indicators, approved by the ESSR Supreme Soviet, the local self-governments approve their own budgets and no longer include them in the republic's overall budgetary volume.

Since at the present time we are still lacking new laws on taxes and, on this basis, tax computations from the standpoint of administrative units, and in the interest of establishing relationships between the budgets of self-governing republic cities and rayons and the state budget, a need exists for preparing accounting indicators for these budgets in terms of both income and expenditures.

Beginning next year, all state income, including that from enterprises of union subordination, will be added completely to the budgetary income of our republic—in accordance with a plan for 2,150.4 million rubles.

In conformity with the USSR law on the "State Budget for 1990," the plans call for 15.9 percent of this income, or 341 million rubles, to be transferred to the union budget. At the present time, this amount has been taken into account in the state budgetary expenditures prior to examining the 6 December 1989 petition by the ESSR Supreme Soviet.

Together with this amount, state budgetary expenditures are planned in the amount of 2,252.9 million rubles. As a result, the expenditures exceed income by 102.5 million rubles. This state budgetary deficit must be covered by the issuing and implementation of an internal loan.

Of the income entering the republic, approximately one half is turnover tax. Compared to the current year, the plans call for an increase of 75 million rubles, or 8 percent, in the turnover tax. Such large growth is conditioned by the requirement and tasks for the production of consumer goods. But the principal enterprises engaged in the production of consumer goods are themselves calling for production plans which are considerably lower.

Based upon the ESSR Gosplan report entitled "Economic Policy of the Estonian SSR During 1990," it appears that in 1990 the production volume for consumer goods for enterprises of the light industry will be less than the expected volume for this year by 30 million rubles. The most tense situation in the group of consumer goods will occur in the case of cotton, woolen, silk and linen fabrics, the market resources for which amount to 88 percent of the level for this current year. The increases for the principal wardrobe products are also modest. At the same time, the mentioned goods are tax-intensive. Such a situation tends to threaten fulfillment of the turnover tax plan and it is also creating greater tension in the consumer goods market and in monetary circulation.

Commencing with this current year, in conformity with two decrees handed down last year by the USSR Council of Ministers, the plans call for leaving at the disposal of enterprises 30 percent of the turnover tax obtained from the sale of goods over and above the volume for the previous year.

In view of the fact that the volume of consumer goods in retail prices often increases as a result of prices and not as a result of volume and also taking into account the fact that many enterprises have accumulated considerable surpluses in their economic incentive funds, while at the same time the state budgetary deficit is increasing and fulfillment of the turnover tax plan is threatened, a recommendation has been made to halt the action of these two decrees on the territory of our republic. The Supreme Soviet of the Lithuanian SSR has handed down such a decision in its Law Governing the Budget.

The expenditures of the overall budget, without taking into account the payment into the union budget, are increasing by 2.6 percent compared to the budget approved for this year, including expenditures of the state budget—by 0.9 percent and local budgets—by 7.7 percent.

When preparing the draft budget within the limits of the existing monetary potential, an attempt was made to provide maximum amounts of resources for financing the social sphere.



Whereas appropriations for financing the national economy are decreasing by 3.1 percent, those for financing the social sphere are increasing by 9.5 percent.

The greatest expenditure in the state budget is that of appropriations for paying the difference between the purchasing and accounting prices for meat and milk in a portion of the republic's fund—440.7 million rubles in all and also mark-ups for the purchase prices for agricultural products—89.1 million rubles. Altogether, 529.8 million rubles and this amounts to 30 percent of the overall amount of state budgetary expenditures.

Of the limit set for state centralized capital investments from the budget, financing will be made available in the amount of 270 million rubles, or 17 million rubles less than the amount for this current year. The budget will be used mainly for financing the construction of housing and installations in the socio-cultural sphere.

The financing of production installations must be carried out mainly using the internal resources of enterprises and organizations and bank credit. Budgetary financing is available only for individual investments, such as the installation of telephones in rural areas, land improvement work and the construction of some production installations, mainly in industry which processes agricultural products and in the construction materials industry, where there are no internal resources or opportunities for the use of credit.

In the interest of economizing in the use of budgetary resources and implementing more correct price policies under cost accounting conditions, the government has recommended that the Supreme Soviet, commencing 1 January, discontinue making payments from the budget for the differences in the prices of the leather and fur industry for potatoes and vegetables, procured by Gosagroprom [State Agro-Industrial Committee] and ERSPO [Estonian Republic Union of Consumers' Societies], and also for canned vegetables and starch. In all, 34.5 million rubles' worth. Certainly, this will bring about an increase in the retail prices for these products. For budgetary institutions, such as childrens' facilities, schools and hospitals, where these products are used, the plans call for payments to be continued for paying the difference in prices from the budget in the interest of preventing an increase in prices. The plans call for 6.3 million rubles to be used for this purpose.

Compared to this year, the plans call for 63.3 million more rubles to be made available next year for financing institutions and measures in the socio-cultural sphere. This includes maintenance and strengthening of the logistical base of educational and cultural institutions, with the draft budget for next year planned for 21 million rubles, or 7.4 percent more than the figure for the current year.

In addition to growth in appropriations, caused by an increase in the network of Goskomobrazovaniye [State Committee for Education], the plans additionally call for the acquisition, on a centralized basis, of 6 million

rubles' worth of computer equipment and 1.1 million rubles for raising the wages of teachers.

The expenses for public health are increasing by 11.3 million rubles, or by 1.2 percent. The plans call for 3.5 million rubles for raising the wages of public health workers in conformity with the all-union schedule and 1.8 million rubles—for equipping public health institutions with laser equipment.

The plans call for 28 million more rubles for state social insurance and social security than was allocated for this current year. In connection with an increase in the minimum old-age pension to 70 rubles for 38,000 pensioners and a pension increase of 15 rubles monthly for disabled veterans of the Great Patriotic War, the plans call for an additional 5.6 million rubles.

The plans call for 3.2 million rubles for covering an increase in the minimum pension for disability and loss of the breadwinner, for increasing the aid to invalids since childhood and for raising social security earnings for workers.

In connection with the impending introduction of the new structure for the government of the Estonian SSR, expenditures for maintaining the governmental staff of the Estonian SSR, ministries and state services and inspections have been included in the draft state budget in an overall amount, together with the funds provided for regulating wages. Following introduction of the new structure, it will be necessary, using these amounts, to approve specific expenditures and the wage fund for each ministry, state service and inspection. Commencing next year, a substantial change will take place in the structure for financing expenditures for the maintenance of administrative organs. Up until the present time, expenses for maintaining the various committees, ministries and RAPO's [rayon agro-industrial associations] have been covered by means of withholdings from subordinate enterprises and organizations. Commencing next year, all ministries and services and also agricultural administrations formed in the various regions will operate on the basis of budgetary financing. This factor explains the considerable growth in budgetary expenditures for maintenance of an administrative staff.

The funds of enterprises and organizations are released and subject to transfer over to the budget.

A few brief words concerning the local budgets.

The computed volume of local budgets is increasing by 7.7 percent and for the financing of socio-cultural institutions and other measures—by 9.4 percent.

In connection with converting the operations of municipal and intra-rayon public transport over to a contractual basis, the plans call for funds in the amount of 30.1 million rubles, or 22.2 million more rubles than this year, to be shared among the local governments and transport organizations in the local budgets. Up until recently, losses in municipal and intra-rayon public

transport were largely covered through a redistribution of the profits of motor transport enterprises realized from freight shipments. But from an economic standpoint, this forced the motor transport establishments into shortening and reducing the number of autobus lines, the number of autobuses on the lines and so forth and this aroused unjustified criticism on the part of the population. Nevertheless, this was a latent means for eliminating the losses of municipal and intra-rayon public transport. But actually the unprofitability of this transport is continuing.

Considering the very low prices for the tickets, it is obvious that they should ideally be examined by the ispolkoms [executive committees].

With regard to the local budgets, I consider it necessary to inform you that, distinct from other union republics, including Latvia and Lithuania, the budgetary deficits in our republic, for both this year and next year, have been included fully in the state budget. No provision is made for them in the local budget.

You are aware of the severe crisis in our country's economy and finances.

The achievement of sovereignty and the right to economic independence will not instantly provide either material or monetary resources. But it will furnish the right to independent decisions and an urge to search for the means and methods for rapidly eliminating the crisis and raising the standard of living for the people.

The people of the republic, creative alliances and the appropriate departments issued a petition calling for regulation of the wages of workers in the socio-cultural sphere and raising the minimum pension amount and state grants and subsidies.

These petitions were valid in every possible way.

This year, during the course of carrying out the budget, the government sought and found certain opportunities for raising the wages of workers attached to these institutions and the minimum amounts for state pensions and grants. Nevertheless, this is still not satisfactory in view of the constant increases in the cost of living.

During the course of examining the budget for next year, the government discussed thoroughly the possibilities for partially solving these problems. The state budget lacks such opportunities. The plans for income are very strained, the appropriations made available are not satisfying fully the requirements and, in addition, the budgetary deficit amounts to more than 100 million rubles.

In this situation, the republic's government has suggested that the Supreme Soviet of the Estonian SSR discuss the question of the introduction, commencing 1 January 1990, average price mark-ups of 20 percent for alcoholic beverages, beer—100 percent and for tobacco products—50 percent. These price mark-ups could provide 159 million additional rubles annually.

This would make it possible, during the first stage, to raise the wages of workers in the socio-cultural sphere by an average of 51 rubles monthly. This would be in addition to withholdings for social security amounting to 70.5 million rubles.

R8.8 million would be required in order to raise the minimum old-age pension for nonworking pensioners, workers, white-collar employees, and kolkhoz farmers to R80, that is, by R10 per month (there are only about 74,000 pensioners).

R5.2 million would be required in order to raise the minimum pension for a partial employment history, for the loss of a breadwinner, for elderly Group III invalids, and for other categories of pensioners.

For raising state grants by 20 rubles monthly, that is, to 70 rubles for 7,400 individuals, 2.7 million rubles would be required.

For raising the grants to students, graduate students and those attending secondary specialized educational institutes and technical schools an average of 20 rubles monthly, 4 million rubles would be required. In all, the expenditures for the mentioned goals would amount to 91.2 million rubles.

In order to ensure that the above-mentioned mark-ups are not used for making a 15.9 percent payment into the union budget, a recommendation has been made calling for the formation of a non-budgetary Estonian social fund into which the price mark-ups would be delivered and from which payments would be made in the form of increases to wages, pensions and grants. An excess in the amount entering this fund over and above the expenditures would make it possible to furnish assistance to young families and to carry out other additional and needed social expenditures.

If you support this proposal, then the government should be tasked with implementing it, that is, specific price and wage mark-ups and increases for pensions and grants should be approved.

Your proposal in the draft budget is being acted upon by the government with the best of intentions, so as to ensure that, given our republic's present potential, we will be able to solve some of the more urgent social problems. A further increase in the standard of living for the people is dependent upon how rapidly and productively the republic's economy is restructured and also upon the extent to which its effectiveness is improved.

In addition to the draft budget, a report on the carrying out of the state budget for 1988 is also being presented for approval. The improved income plan of the state budget was fulfilled by 100.8 percent. The income exceeded expenditures by 82,746,000 rubles.

### Transfer of Union-Level Enterprises to ESSR Control Disputed

904A0141A Tallinn SOVETSKAYA ESTONIYA  
in Russian 30 Dec 89 p 1

[Article by S. P. Trifonov and Ya. Tolstikov: "The Price of a Compromise Decision—Or Apparatus Games in the Spirit of the Time of Stagnation"]

[Text] "According to the agreement between the government of the USSR and the government of the republic, union-level ministries, committees and agencies are to transfer, to the supervision of the people of the republic, enterprises and economic organizations with all their fixed and current assets." (From the USSR Law "On the Economic Independence of the Lithuanian SSR, the Latvian SSR and the Estonian SSR," approved on 27 November 1989)

"According to the agreement between...." Has this agreement been completed yet?

This question troubles many. It is not enough to say "troubles," as this is vitally important for the collectives of at least 170 enterprises and organizations now subordinate to union-level ministries, committees and agencies. What will the republic obtain and what enterprises will retain their union-level subordination under IME [Self-Managing Estonia] conditions? What if a machine (or instrument) building plant or other similar operation that over the years has been under the power of the "center" and has established strong ties with its union-level agency, is now transferred, as the law says, "...to the supervision of the people..." What about scientific and technical progress in the new, strictly republic framework? Won't it be stopped or slowed down as a result of this process?

There are dozens of questions. When there is no reliable information the vacuum is filled by rumours and conjecture.

Within the framework of "an economically independent Estonia," just what will happen to enterprises that we have become accustomed to describe with the words "union-level subordination"?

It has long been the time to clearly describe what has been taking place at talks on this subject between the government of the USSR and the government of the republic.

These talks—at the behest of republic organs—have been conducted (and, one must immediately note, are still being conducted) between E. Savisaar, deputy chairman of the ESSR Council of Ministers and the "working" (so, obviously, one may say) group consisting of People's Deputy Kh. Aasmyae, First Deputy Chairman of Gosplan L. Tammeyali and Gosplan department heads V. Yushkin and S. Trifonov.

Sergey Petrovich Trifonov explains:

The law on the economic sovereignty of the republic has been approved, but it is not completely satisfying. The document is the product of a harsh compromise. It does not answer many practical questions concerning the actual implementation of a program of republic cost accounting. Moreover, a number of provisions are formulated very vaguely, they can be interpreted differently. Take, for example, one of the provisions in Article 2 of the law: "According to the agreement between the USSR and the republic, union-level property includes assets of the armed forces, main oil and gas pipelines and other objects with all-union functions."

I want to direct attention first to the words "according to the agreement." What do they mean? In essence nothing specifically; after all an agreement may or may not be attained, one of the parties may not compromise and then this article of the law will hang in the air.

Secondly. The words "other objects" may be interpreted so broadly that practically all enterprises of union subordination can be considered all-union property.

But I am getting ahead. On 27 July 1989 the USSR Supreme Soviet passed a decree consisting of three paragraphs, according to which the Baltic republics were to some extent given a blessing to conduct an experiment, the introduction of cost accounting using their own model ("not according to Maslyukov" [USSR Gosplan Chairman]).

Under the IME, almost all union-level enterprises should be transferred to the republic. We, however, understand that this conversion has to be gradual. We suggested our concepts for this conversion and presented it to union-level organs on 18 August 1989. At that same time talks began at Gosplan in Moscow. We insisted that it was useless to appeal to the ministries—they would always refuse. They had to face the facts. Gosplan did not agree with this proposal. Real haggling began: For whom does a given enterprise work? Is it advantageous to the republic? Take it. And if more than half of the products go to the country—no, not in this case. Such was the "scientific" dispute. Really, it was at this time that the bureaucratic apparatus games began. Now the ministries argued for the absurd: Good, take this plant, but keep in mind that you will lose all resources and supplies. "I will not give you any more equipment!" It was as if the ministry were the patrimony of one person—the minister, and its output produced by subordinate enterprises was only needed by some uncle—and not by the country; not by all of us, but by some stranger, whose application could be accepted or rejected at the whim of the ministry.

Our counter offer: "Then the entire country will lose and not just the republic; we however—on a contractual basis—will continue to deliver the products the country needs." As a rule there was no response to these offers, which seem logical and convincing to us.

USSR Gosplan also had a different attitude towards the problem. We had to get around all the deputy chairmen



watching over various national economic complexes and to talk to many specialists. We understood that the leadership has people who are looking ahead, those who are indifferent, and those who are openly conservative, working according to the principle: hold and do not let go.

Petr Andreyevich Paskar, a Gosplan deputy chairman in charge of the agroindustrial complex, immediately caught on to our proposals and supported them. The ministry was opposed, but Petr Andreyevich was able to find a compromise in a difficult situation.

As a result of these very difficult and prolonged talks, in September a draft decree of the USSR Council of Ministers had been written. It called for transferring to the republic during the first stage 53 union-level enterprises, about one-third of all such units. It was proposed to continue this work. Yu. D. Maslyukov, Gosplan chairman, with whom we had made a breakthrough, although with great difficulty, told us that he supported this draft. Unfortunately, Yuriy Dmitriyevich soon thereafter went to a hospital. Then S. Sitoryan, his first deputy, had a look at the draft. However, to our dismay, he was promptly designated deputy chairman of the Council of Ministers, and at a meeting of the bureau of the Council of Ministers our draft didn't interest anybody.

The apparatus games continued. Shortly thereafter, L. Voronin, deputy chairman of the USSR Council of Ministers, sent the draft decree out "for reworking." Again there were innumerable talks with ministry leaders and at Gosplan administrations and departments. This was the second time around. During this "reworking" we again and again were convinced that many clerks in Gosplan work only on orders from above and have no initiative! They do not understand that this is not some whim—common problems are being discussed. The appearance of work was created. In fact, more enterprises were taken off a preliminary list and fewer remained on it.

Finally, on 16 November there was a meeting between E. Savisaar and the working group, headed by Lev Alekseyevich Voronin. This meeting lasted one and a half hours. Once again there was haggling: Is an enterprise working for the republic or for the country? At the end of the meeting, Voronin decided to send managers of union-level ministries to enterprises whose collectives were opposed to being transferred to the republic. By 4 December he was to send his new considerations to Gosplan.

I must admit that we initially did not pay enough attention to finding proponents of "resubordination" in the labor collectives themselves. Initially nobody did this explanatory work. This has resulted in misunderstandings and false impressions. It was only in November that ESSR Gosplan workers "went to the people" and began talking to union-level enterprises, explaining the essentials of the IME concept.

Objections to transferring enterprises to the republic can be grouped as follows:

1. It is not worth choosing between two evils. In what way are Estonian bureaucrats better than those in Moscow?
2. Supply ties will be disrupted.
3. Scientific and technical ties will be broken.
4. The system of intrasectoral cooperation will be destroyed.

We have and are continuing to oppose these with the following counter-arguments.

1. Yes, the present union-level enterprises will be part of the republic Ministry of Industry and Power Engineering, but it will not have management functions, and will not interfere in the daily economic activities of enterprises. The ministry's task is to define a development strategy and influence production operations by only economic tools, with the help of tax policies, etc.
2. If the USSR is interested in the success of its former enterprises, then it will sign a three party agreement: between enterprise, republic and the USSR, making provisions for the equal exchange of raw materials, material and technical resources and finished products. It is also possible to transfer all resources to union-level organs of ESSR Gosstab (the Ministry of Material-Technical Resources) in exchange for finished products. In any case neither former union-level enterprises nor the USSR itself will lose anything.
3. The basis for scientific and technical ties is not the ministry, but scientific and technical institutes. Enterprises will retain these ties on a contractual basis.
4. Under the new conditions intrasectoral cooperation will also be based on contracts.

By the way, direct contractual ties have already been established between the Estlesprom [Estonian Forest Products] Association and the corresponding union-level ministry. The power engineering and slate industries and the Tallinn Musical Cassette Plant are preparing draft plans for such agreements. In short, the ice has broken.

Yes, we should admit that initially we worked behind the backs of the labor collectives. This was our mistake. This gave rise to the unpleasantness about "resubordination."

I do not want the reader to get the impression that "resubordination" is a goal in itself. No, of course not. In restoring the economic integrity of the republic we are first of all trying to convert the Estonian economy to market relations and thus provide an example to other regions in the country. This can be done only by coordinating the activities of the maximum number of enterprises in Estonia.

Returning to the events in Moscow, on 8 December we phoned Gosplan and asked whether the ministries had



made their proposals. The answer was that they had not. Why then did you not demand it? Because nobody asked us to.

Such was the discussion. On 11 December we gave Voronin a telegram saying: "...in view of the premeditated delay of the question..."

On 13, 14 and 15 December there were new debates at Gosplan. In the draft decree agreement had been reached on only 20 enterprises out of the initial 53. The draft was still immobilized.

On 28 December there was another telephone call from Tallinn to Moscow, to the chief of the USSR Gosplan Department in charge of the Baltic republics. He said that everything remained the same. The USSR Council of Ministers' draft decree on transferring several union-level enterprises to the republic was still not signed.

Apparatus games continue.

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#### Concluding Comments by Ya. Tolstikov

A point must be made about S. P. Trifonov's explanation. And I must make a journalistic judgment. It is difficult not to agree with the opinion which a senior official at republic Gosplan makes about bureaucratic red tape in union-level organs. It will not be easy to change the psychology of an apparatchik; it will take years and years. After all, initially republic Gosplan also operated by purely bureaucratic methods: These are the facts and that is that. This also causes lack of support from below. It is known that the enterprises subject to "resubordination" primarily employ workers who are not Estonians or natives. This has increased the acuteness with which the problem is perceived. Won't "resubordination" tear us, the non-Estonian inhabitants of Estonia, from our accustomed Russian (Ukrainian, etc) roots?

Perhaps, though it be delayed, it will suddenly dawn on the republic Gosplan: Love can not be forced. If only a useful lesson were to be learned from this story!

I am convinced that the overwhelming majority of Russian and other non-Estonian workers are ready to actively cooperate with local organs of power and work under the new economic management conditions. It is necessary only for both to acknowledge that it will take all of us to build a new democratic Estonia with a developed economy.

#### State Committee on Prices Head Hits Estonian Price Policy

904A0172A Moscow PRAVITELSTVENNYY VESTNIK in Russian No 4, Jan 90 pp 4-5

[Article by V. K. Senchagov, chairman, USSR State Committee on Prices: "The High Price of the Decision on Prices"]

[Text] What can I say? The wave of frenzied buying caused by the decision in Estonia has already rolled into neighboring oblasts in the RSFSR: Kaliningrad, Leningrad, Smolensk and others. Letters and appeals to local organs and USSR Goskomtsen [State Committee on Prices] and the country's government express alarm about the large scale purchase of goods in these oblasts at existing state prices and their massive movement into the Estonian SSR. At the same time, there are signs that the movement of goods from Estonia is being hindered by the unilateral creation of control points, where the papers of citizens of other republics are checked and their vehicles and baggage inspected.

I was a participant at a meeting of the USSR Council of Ministers' presidium which examined materials from the RSFSR Supreme Soviet, the Leningrad CPSU Obkom, the Lenoblispolkom and the Lengorispolkom concerning the situation in several regions of the RSFSR due to increased retail prices for several types of goods in the Estonian SSR and the republic's disruption of food deliveries to the country's food stocks. Speaking at the discussion of these questions, E. Savisaar, deputy chairman of the ESSR Council of Ministers, attributed the steps taken in the republic to the need to create a special fund (for increasing wages in the social-cultural sphere, pensions and monthly assistance as well as students' stipends) and to the desire to accelerate the transition to market relations, including between union republics.

However, this explanation did not satisfy the representatives from the USSR Supreme Soviet, the RSFSR and Estonian governments, the AUCCTU and the USSR KNK [Committee for People's Control], USSR ministries and agencies, and the Leningrad city and oblast ispolkoms, who were present at the meeting. It was noted that while the price of beer (the same holds for certain other goods and services produced in the republic) is really a matter for the republic itself, it is absolutely illegal to change prices for alcoholic beverages and tobacco obtained from outside. This violates the USSR Constitution (Paragraph 6, Article 73), which leaves price policy to union-level organs. According to the USSR Basic Law, the country's government establishes the procedure for setting prices. It provides that every level of management has its strictly defined authority in setting prices for certain types of products.

Increases in prices for wine, spirits, tobacco products and beer were discussed at the second session of the USSR Supreme Soviet, which approved the law on the economic independence of the Baltic republics, but rejected the proposal to increase retail prices for these products. The decision of the USSR Supreme Soviet on this question is also a legislative act of the USSR, the observation of which is mandatory for the Estonian SSR in exercising its right to economic independence.

An erroneous understanding of the independence of union republics and regions in questions of price formation can be seen from the example of Latvia, where,

without agreement from republic organs, the Riga Gorkom made a decision about trading in wine, spirits and tobacco products at commercial prices. These are not 20 percent higher than state prices, as in Estonia, but 2 to 3 times higher. It is intended to sell more than 50 percent of the retail stock of wine and spirits at these prices. It is true, bad examples are catching. If union republics do not recognize USSR laws, then local authorities will ignore both USSR and republic laws. This will not be the democratization of management, but anarchy! In its last months (the republic Supreme Soviet did away with it) the Latvian SSR Goskomsen took a correct position in expressing its disagreement with this decision by local authorities. The Latvian SSR Council of Ministers has still not made a decision about this.

I am convinced that such "commerce" can lead to nothing but speculation and increased prices. It is impossible to normalize the market by setting commercial prices on a voluntary basis. Such a policy of reviewing and increasing prices without taking into account the interests of neighboring regions and the USSR as a whole will also not stand up to political criticism. It causes friction with other union republics, opens the possibility of various types of speculation regarding the center, which is supposedly opposed to increasing the living standards of part of the population in Estonia with comparatively low incomes. In ignoring the decision of the USSR Supreme Soviet, which rejected the proposals by several Estonian commissions and committees to increase prices for some consumer goods, including alcohol and tobacco, Estonian republic organs thus violated the trust of the Soviet people and the country's higher legislative organs.

In the course of the discussion it was also indicated that the USSR Government, which, in the Congress of People's Deputies, had supported the USSR Law "On the Economic Independence of the Lithuanian SSR, Latvian SSR and Estonian SSR," had in mind the creation of conditions for acquiring experience in the formation of a single socialist market and in strengthening economic relations between republics. The unilateral measures taken by the Estonian government arouse public opinion against economic independence and inflict a serious blow against the authority of the law and the republic itself, the initiator of this measure. These decisions contradict the very essence of the economic reform. The laws of the market require careful analysis of measures in price formation and their influence upon the market in the republic and in neighboring regions.

A blow will also be inflicted upon the strategy of deep economic transformations. Interfering in the state monopoly sphere and causing the flow of large amounts of disposable money out of Estonia to the consumer markets of neighboring regions, the republic organs of power and management are disrupting price policies and seriously complicating the implementation of the program to improve the country's economy approved by the second Congress of People's Deputies.

The Presidium of the USSR Council of Ministers declared illegal the decision to increase prices for alcohol and tobacco products in Estonia and suggested that the ESSR Council of Ministers review its position regarding price formation, a position that led to the destruction of a unified system of prices throughout the country and to the creation of economic and social tensions in other regions.

In conclusion I would like to emphasize the following points.

Firstly, work should be accelerated on the preparations for and implementation of the reform of retail prices for consumer goods and services, with the public being paid appropriate compensation.

Secondly, due to the approval of the USSR law "On the Economic Independence of the Lithuanian SSR, LaSSR, and Estonian SSR", there is a real need to accelerate the approval of the law on prices and price formation in the USSR, where it is necessary to considerably expand the rights of union republics in price formation. It is important that the USSR Council of Ministers and the USSR Goskomsen retain the right to set prices for a limited assortment of basic raw materials, fuel and energy resources, agricultural products, foodstuffs and industrial goods vital to living standards. Republics can be given the right to independently set prices for all remaining products produced and sold within their boundaries. In practice this requires a balanced approach, a thorough analysis of factors determining the proportions of equal exchange on the USSR and regional markets and their objective relationship. The expansion of rights in price formation should not be declarative. It must have content assuring the real economic independence of republics.

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**From the Stenographic Report of the Meeting of the Presidium of the USSR Council of Ministers:**

"... Even though at the request of the ESSR government, in order to improve supplies to the republic's population, the USSR Council of Ministers lowered the volume of food deliveries to USSR stocks, it is impermissible to delay the performance of the contracts for the remaining deliveries. This is fraught with serious complications for some regions of the country... It is suggested that by 1 February the Estonian government perform the contracts for the delivery of meat and dairy products.

"Attempts to set up customs barriers, demands to show passports and to inspect the baggage and vehicles of citizens entering and leaving the Estonian SSR are viewed as direct violations of the constitutional rights of citizens of the USSR. The USSR MVD is authorized to investigate reports about this and to take measures to prevent such unconstitutional actions."

## **Znaniye Contest On Ideas For RSFSR Economic Independence**

904A0157A Moscow SOVETSKAYA ROSSIYA  
in Russian 30 Jan 90 Second Edition p 1

[Article by A. Molokov, SOVETSKAYA ROSSIYA correspondent, Leningrad: "An All-Russian Contest for Ideas is Announced...Options For Rebirth"]

[Text] *At the initiative of Leningrad scientists, the board of directors of the RSFSR "Znaniye" society approved a resolution "On Conducting an All-Russian Contest for the Best Concept for the Transition of the Russian Federation to Principles of Economic Independence and Self-Government." M. Krotov, chairman of the board of directors of the society's Leningrad organization and professor of the Leningrad Mechanical Institute, was named as head of the contest commission. Our correspondent asked him to talk about the goals and tasks of the contest.*

[Krotov] It all began like this. Last year in the fall there was a public hearing in Leningrad on the proposals for a transfer of the Leningrad region to the principles of territorial economic accountability. Almost all of the reports submitted to the jury for analysis contained the idea that the inhabitants of Leningrad, and for that matter, the inhabitants of other RSFSR oblasts as well, will only become true masters of their own territory after the entire Russian Federation acquires real economic independence. As long as the RSFSR economy continues to be managed by ministries and departments, mainly at the union level, instead of by local and republic Soviets, the Russian economic rebirth will be no more than a slogan or declaration. Judge for yourself: last year, for example, enterprises in Leningrad which in their majority are subordinate to entities at the union level transferred to the city's budget less than ten rubles for each inhabitant.

Therefore, while discussing the concept of the principle of economic accountability for Leningrad, we came to the conclusion that it was necessary to conduct an analogous contest in the framework of the whole of Russia. We defined its main task as the preparation of alternative options on the basis of popular initiative for the transfer to territorial self-government and self-financing for the RSFSR.

[Molokov] But won't this eventually lead to the rise of regional egoism analogous to the sort of group egoism which developed after ratification of the Law on State Enterprises?

[Krotov] I want to emphasize that the introduction of "visitor" ration cards, etc., in the consumer market of Leningrad and other parts of Russia was an emergency measure which has nothing to do with the idea of true regional self-government and economic accountability. Now three approaches have been identified for the republic's transfer to the principles of economic independence. The first deals with the complete economic isolation of the republic, including the introduction of its

own currency. The second is an egocentric approach based on the reallocation of state resources in favor of one's particular region.

These approaches, which more often than not unfortunately are discussed and introduced do not have anything to do with the idea of regional economic accountability because they lead either to a "feudal" splintering of the USSR or to the flourishing of regional egoism. The Leningrad hearings showed that there is also a third path whose essence lies in the creation of economic conditions for the generation of revenues by the regions for social development. Figuratively speaking, we don't need to divide the pie of public goods and services to our own advantage but to bake a new one. And how to accomplish the transfer of oblasts, krays, and autonomous republics to territorial economic accountability in a manner which does not divide their interests but unites them is a question which, in my view, should be answered by the contest.

[Molokov] What are the conditions under which this contest will be conducted and what are its features?

[Krotov] We are accepting contest proposals till 20 March 1990 at our address: 191004, Leningrad, Liteyniy Prospekt 42, Board of Directors of the Leningrad Organization of the "Znaniye" Society. Add the notation, "For the Contest."

At the end of March a public defense of the contest proposals will take place during which the citizens of Leningrad and the authors themselves will evaluate the ideas which have been presented for discussion. We hope to publicize during the course of the contest all existing options for the economic rebirth of the Russian Federation: both those which came from the contest initiative and those prepared at the request of state organs. The latter, it is true, will not be analyzed as part of the contest. The winner which will be determined on the basis of public hearings and the independent expertise of prominent scientists will be rewarded with monetary prizes, the overall amount of which is 32,000 rubles. Of course, the main stimulus for the participants will be the opportunity to help the first Congress of RSFSR People's Deputies and the republic's Sovmin [Council of Ministers] to select the best option for the economic rebirth of Russia. We also invite all interested organizations to become contest sponsors.

## **Draft Law on Latvian SSR Banks Published**

904A0171A Riga SOVETSKAYA LATVIYA in Russian  
6 Jan 90 pp 2-3

[Draft law issued by the chairman and secretary of the Presidium of the LaSSR Supreme Soviet]

[Text] In accordance with the LaSSR Law on Economic Independence of Latvian SSR, the present Law affirms the legal status of banks and regulates their activity on



the territory of the sovereign Latvian state. The Law defines:

- the place and role of banks in the republic's economic development in the context of active use of commodity-money relations, the functioning of the market, and development of international economic ties;
- the republic's banking system and regulates the functioning of the banks on the basis of business competition to win customers, obtain credit resources, and to open up areas for their profitable investment.

The present Law is predicated upon the need to bring about a stable circulation of money, to guarantee convertibility of the currency, to create favorable economic conditions for economic activity in all forms of ownership, and to develop external economic relations wholeheartedly.

### Section I. General Provisions

#### Article 1. Definition of a Bank

A bank is a specific economic organization guaranteeing the functioning of the circulation of money and the loan fund.

#### Article 2. The Banking System

The republic's banking system—the banks of the republic—includes the following: the central bank, the state commercial banks and other commercial banks, and financial-and-credit institutions. The Bank of Latvia is the central bank of Latvian SSR. The republic's banks may open their branches, affiliates, and representative offices within Latvian SSR, in other republics, and abroad.

On the basis of contracts and agreements, the republic's banks may create federations, associations, and other organizations to coordinate their activity and may also take part in international banking organizations.

Representative offices (affiliates) of banks of the USSR, other union republics, and foreign states may operate within the republic with permission of the LaSSR Supreme Soviet.

The republic's banks function within the republic's unified computer information system.

#### Article 3. Corporate Name

The words "bank," "credit institution" and "financial-and-credit institution," or other combinations of these words may be used in the name and for advertising purposes only by banks and institutions authorized to perform banking operations in accordance with the present Law.

#### Article 4. Legal Basis of the Activity of the Banks

The republic's banks are juridical persons. The republic's banks are guided in their activity by laws of Latvian SSR

and by their own charters. Commercial banks and financial-and-credit institutions are also guided by the enactments of the Bank of Latvia.

#### Article 5. Delineation of the Liability of the State and the Banks

The republic's banks and financial-and-credit institutions are not liable for the obligations of the state nor is the state liable for the obligations of the banks, except in the cases envisaged by laws of Latvian SSR and other cases in which the state assumes that liability.

#### Article 6. Taxation of the Banks

The banks and other financial-and-credit institutions located within the republic pay taxes into the state budget of Latvian SSR in the amounts and according to the procedure established by laws of Latvian SSR.

#### Article 7. Bank Secrecy

The republic's banks guarantee the secrecy of the transactions, accounts, and deposits of their customers and correspondents. All bank personnel are required to maintain secrecy concerning the transactions, accounts, and deposits of the bank, of its customers, and of its correspondents.

Documents concerning transactions and accounts of juridical persons and other organizations may be released to the organizations themselves, to their superior entities, to the courts, to arbitration bodies, and also to financial authorities concerning matters of taxation.

Documents pertaining to accounts and deposits of individuals may be released, apart from the customers themselves and their representatives, to the courts and to investigating bodies. Documents pertaining to accounts and deposits may in the case of the death of their owners be released to the persons indicated by the owner of the account or deposit in a testamentary order given to the bank, to state notary offices, and to foreign consular missions.

#### Article 8. Publication of Annual Balance Sheets and Profit-and-Loss Statements

Banks and financial-and-credit institutions located within Latvian SSR publish an annual balance sheet and profit-and-loss statement in the form and by the dates established by the Bank of Latvia in a specific publication after confirmation of the authenticity of the information of the auditing organization presented in them.

#### Article 9. Attachment and Confiscation of Money and Other Valuables in Banks

Money and other valuables in banks may be attached by decisions of a court, by decree of investigating authorities, or by determination of arbitration commissions, but they may be confiscated only on the basis of executive writs issued by a court, orders of an arbitration committee and other enforceable documents, and in the cases envisaged by laws of Latvian SSR—by demand of financial institutions.



Money and other valuables of foreign and international organizations which are in banks may be attached or confiscated only on the basis of a decision of a court or arbitration body conforming to the procedure established by laws in effect.

Money and other valuables of physical persons which are in banks may be attached only on the basis of the following:

- decrees of a court and investigating authorities concerning criminal cases before them and also in the cases envisaged by law of suits being deliberated concerning confiscation of property;
- decrees of a court which has before it civil suits arising out of criminal cases, suits for attachment of child support, or for division of a deposit which is the joint property of spouses.

Deposits of physical persons and other valuables may be seized on the basis of court orders or decisions settling civil suits arising out of crimes, decisions of a court on suits for child support (in the absence of earnings or other property which may be attached), or court decisions concerning division of deposits which are the joint property of spouses.

Deposits and other valuables of physical persons may be confiscated on the basis of a court order which has become final.

## **Section II. The Bank of Latvia**

### **Article 10. The Nature and Tasks of the Bank of Latvia**

The Bank of Latvia is an independent state bank whose charter is adopted by the Latvian SSR Supreme Soviet.

The Bank of Latvia is:

- the sole note-issuing center within the republic;
- the bank of banks with respect to commercial banks;
- the organizer of cash fulfillment of the republic's state budget;
- a regulator of the economy by money and credit methods.

The tasks of the Bank of Latvia are as follows:

- conduct of the state policy of economic independence of Latvian SSR in the areas of the circulation of money, credit financing, financing by appropriation, settlements, and foreign exchange relations;
- assurance of central control of the circulation of money and the republic's loan fund by money and credit methods;
- coordination and oversight of the activity of the commercial banks within the limits defined by the present Law.

### **Article 11. Management of the Bank of Latvia**

The Bank of Latvia is headed by the council of the Bank of Latvia, which is appointed by the LaSSR Supreme Soviet for a 9-year term. The council is headed by the

chairman of the council. The chairman of the council of the Bank of Latvia is appointed by the LaSSR Supreme Soviet. The chairman of the board of the Bank of Latvia is elected by the bank's council. The members of the board are nominated by the chairman of the board and approved by the bank's council.

### **Article 12. The Bank of Latvia as the Republic's Note-Issuing Center**

The Bank of Latvia is granted the monopoly right within Latvian SSR to put currency into circulation and to regulate the amount of money in circulation.

### **Article 13. Relations of the Bank of Latvia With the State Budget**

The Bank of Latvia:

- organizes cash fulfillment of the state budget of Latvian SSR, in agreement with the LaSSR Ministry of Finance sets forth the procedure of joint operations by commercial banks for cash fulfillment of the state budget of Latvian SSR;
- jointly with the LaSSR Ministry of Finance manages the state debt, designating the sources, dates, and conditions under which the state borrows money;
- issues credit to meet the needs of the state budget on the principles of repayment, promptness, and compensation for services;
- conducts transactions with state securities and conducts transactions with precious metals and foreign exchange by order of the state.

The maximum size of the state debt and also the amount of credit of the Bank of Latvia to the republic's government are set by the LaSSR Supreme Soviet.

### **Article 14. Relations of the Bank of Latvia With Commercial Banks**

The Bank of Latvia:

- accepts into accounts and keeps money of commercial banks deposited as legal reserves and also uncommitted money reserves of commercial banks on a contract basis;
- extends loans to commercial banks;
- exercises surveillance in accordance with the charter of the Bank of Latvia.

### **Article 15. Regulation of the Economy by Money and Credit Methods**

The Bank of Latvia exerts an influence on economic conditions by conducting an accounting policy, by conducting transactions with securities on the market, by regulating the size of legal reserves, and by changing the amount of money in circulation, the volume of outstanding loans, the level of lending rates of interest, and other indicators of the circulation of money and the market for credit resources.

**Article 16. External Economic Activity of the Bank of Latvia**

The Bank of Latvia represents the interests of Latvian SSR in relations with the central banks of other states, in international banks, and in other financial and credit institutions.

It sets the exchange rate of the republic currency against monetary units of the USSR, the other republics, and foreign states.

By order of the LaSSR Supreme Soviet, it may obtain credits from foreign and international banks and other financial-and-credit organizations, it may place loans, it may extend credits to foreign and international banks, it may accept money from those banks in accounts and deposits, it may conclude correspondent and other contracts with them, it may act as surety, it may issue guarantees covering money obligations of Soviet and foreign juridical persons and also international organizations, and it may conduct other operations in accordance with its charter.

**Section III. Commercial Banks****Article 17. Founders of Commercial Banks**

Commercial banks are banks created for the actual performance of money-and-credit, loan, and cash transactions. Commercial banks may be state banks, banks based on joint stock or shared ownership, banks with mixed capital, and joint banks with banks of other union republics and foreign states.

The LaSSR Council of Ministers is the founder of state commercial banks. Founders of other commercial banks may be associations (assotsiatsii), concerns, associations (obyedineniya), enterprises, joint stock companies, organizations, institutions, cooperative alliances, cooperatives, public organizations, and foreign juridical and physical persons.

**Article 18. Procedure Governing the Creation and Activity of Commercial Banks**

The procedure for creating commercial banks whose founders are juridical persons of Latvian SSR is defined by the Bank of Latvia. The Bank of Latvia issues permission to open a commercial bank and registers its charter.

The founders of commercial banks approve the charters, define the structure, and also appoint or elect the management of the banks.

Commercial banks are considered to have been created and perform their activity from the moment their charter is registered. Commercial banks perform all transactions in accordance with their charters.

**Article 19. Standard Economic Rates, Limits, and Allowances Imposed on Commercial Banks and Accountability for Violating Them**

In order to guarantee the bank's financial stability and to protect the interests of its creditors, commercial banks observe the following economic rates, limits, and allowances, which are set by the Bank of Latvia:

- the minimum size of charter capital;
- the maximum ratio between the size of the bank's own resources and the sum of its assets;
- indicators of the liquidity of the balance sheet;
- the size of legal reserves to be placed in the Bank of Latvia in the fund for regulating credit resources of the banking system;
- the maximum size of the risk per borrower;
- the rates of deductions from profit into the depositors' insurance fund and special reserves to cover losses on debts whose recovery is dubious.

These standard rates, limits, and allowances are set by the LaSSR Supreme Soviet on recommendation of the council of the Bank of Latvia.

In case of a violation of the established standard rates, limits, and allowances, the Bank of Latvia puts the question before the founders of banks:

- performance of measures to restore health to the bank's activity;
- reorganization of the bank;
- liquidation of the bank.

The Bank of Latvia may as an economic penalty raise the level of legal reserves for commercial banks violating the standard rates, limits, and allowances established in this article.

The Bank of Latvia may also revoke permission for creation of a commercial bank in case of a violation of the obligations envisaged by this article, establishing the date and procedure for termination of the commercial bank's activity.

**Article 20. The Commercial Bank's Own Resources and Credit Resources**

The commercial bank's own resources are made up of the following funds:

- charter capital;
- reserves.

Other funds may be formed from profit.

The commercial bank's credit resources consist of the following:

- its own resources after deduction of the value of fixed capital acquired from elsewhere, investments in shares, and the stock of other banks and organizations and other immobilized resources, as well as other funds formed from profit;

- the resources of enterprises, organizations, and cooperatives which are in accounts in the bank;
- resources of foreign enterprises, firms, banks, and physical persons obtained pursuant to duly signed agreements and contracts;
- resources obtained by issuing stock and bonds;
- deposits of physical persons, including deposits in foreign currency;
- undistributed profit;
- funds in the process of settlement;
- resources in budget accounts.

#### Article 21. Lending Rates of Interest

Lending rates of interest in the operations of commercial banks are set by the banks independently. The Bank of Latvia regulates the level of interest rates on credit operations of commercial banks by changing the rates on its own credits which are extended by the commercial bank.

#### Section IV. Credit Institutions and Financial-and-Credit Institutions

##### Article 22. Application of the Law on Banks to Financial-and-Credit Institutions

The effect of the present Law extends with equal force to credit institutions and financial-and-credit institutions.

#### Section V. Specific Features of Application of the Present Law and Its Taking Effect

##### Article 23. Particular Features of the Law's Application

The effect of the present Law does not extend to banks created on the basis of international and all-union agreements to which Latvian SSR is a party.

##### Article 24. The Taking Effect of the Law

The procedure and dates for the present Law's taking effect are determined by the LaSSR Supreme Soviet.

### RESOURCE UTILIZATION SUPPLY

#### Wholesale-Intermediary Firms to Aid Domestic Trade

18200491A Moscow TRUD in Russian 18 Feb 90 p 1

[Deputy Chairman of USSR Gosnab S. Anisimov's statement to TASS correspondent: "To Trade, and Not To Allocate"]

[Text] The USSR Council of Ministers approved a proposal by the State Committee for Material and Technical Supply (Gosnab) to create wholesale-intermediary firms, which will help implement the transition to a more progressive method of supplying the national economy with resources. The deputy chairman of USSR Gosnab, S. Anisimov, talks to a TASS correspondent about the goals of these subdivisions.

"The creation of wholesale-intermediary firms is an important step in the transition from centralized distribution of material resources to their free sale," stressed Stanislav Vasiliyevich. "The formation of market relations stems from the radical economic reform being carried out in the country and the trend toward the development of wholesale trade in the means of production.

"Experience convinces us that today there is no reasonable alternative to the market mechanism as a method for coordinating the commercial interests of producers and consumers. Recognizing this, Gosnab proposed the formation of wholesale-intermediary firms. There will be a total of 26. Each will have its own commodity specialization and a corresponding name. For example, the firm 'Toplivooptorg' will be the intermediary in solid fuel trade, 'Metallooptorg' will trade in metal products, 'Stroioptorg' in building supplies, and so on.

"Included in the functions of these organizations are intersectoral and interregional coordination of commercial activity pertaining to the purchase and sale of products, study of commodity market conditions, and development of supply and demand balances. They will also create inventory and turnover reserves, adjust interaction on the allocation of export orders with foreign trade organizations, and assist in the organization of barter transactions with foreign firms.

"As for the circle of clients that can use the services of wholesale-intermediary firms, it is practically unlimited: ministries and departments, republic administrative organs, intersectoral state associations, concerns, economic associations, enterprises and organizations of all sectors of the economy, and territorial organs of USSR Gosnab."

#### Incentives for Ecologically Clean Industrial Production Proposed

904A0184A Moscow EKONOMIKA I ZHIZN  
in Russian No 4, Jan 90 p 11

[Article by general director of the NPO Medbioekonomika F. Lobanov, department head M. Shapiro, and NPO associate Ye. Gromova: "In Harmony with Nature"]

[Text] The decree by the USSR Supreme Soviet, "On Pressing Measures towards Ecological Improvement in the Nation," provides for discussion at the spring session of the draft for the long-range State Program on the Protection of the Environment and Rational Use of Natural Resources in the USSR for the thirteenth five-year plan and for the period up to the year 2005. In the opinion of specialists from the research and production association Medbioekonomika, in connection with this document it is also necessary to devise a new mechanism of economic incentives for environmental protection activities among industrial enterprises.

### Tax abatement and disincentives

Ecological safety should, without a doubt, be directly linked to the economic interests of worker collectives. Otherwise one can hardly count upon the desired results. In our view, these ties should be realized through a flexible policy of ecological taxes, price-formation, and fees for the use of natural and other resources. To some degree these controls are already in effect today. But owing to half-way policies and contradictory regulatory documents, they are not having the needed effect.

According to the system now in effect, for example, enterprises are not financially responsible for the fixed capital for special cleaning installations on the condition that no marketable products are being salvaged from wastes. If this condition does not hold, then the full fee is charged. Is that not a paradox? This condition acts as a disincentive for measures towards the utilization of recyclable wastes.

Logically speaking, it is necessary to introduce differentiated fees for all productive capital, depending on the degree to which the technological profile of the equipment being used conforms to the requirements of ecological safety. Enterprises with outdated equipment should pay more, since this causes more damage to the environment for which society must pay. In order to establish the rates of ecological fees for these assets it is necessary to evaluate the equipment in question from the point of view of utilization of raw materials and fuel and energy resources as well as volume and composition of pollutants. On this basis fixed productive capital can be classified according to how ecologically sound it is.

A rule making money which is moved from funds for the development of production to environmental protection measures tax-free could also serve as an important element in the system of economic incentives for environmental protection activities among enterprises.

The present system of price-formation for output produced should also be subject to serious restructuring. Precisely through the improvement of this system we could create a favorable economic climate and orient enterprises towards the economical use of natural resources and towards expanded reproduction of natural resource potential. The improvements would also create equal economic conditions for those enterprises using natural resources of varying quality and from various locations.

Prices for raw materials and fuel should be set at the level of outlays for production, taking into account the possibility of recycling them from wastes. Along with the transition of means of production to wholesale trade, there should be an increasing role for ecological taxes which would stimulate production and applications such as low-toxicity pesticides, biological means for protecting plants, and agricultural techniques which prevent the degradation of the soil. Without using a centralized price-setting mechanism, i.e., without disrupting the market mechanism for price-formation, these taxes

should provide a means of making it economically disadvantageous to put ecologically unsound products on the market. Mechanically raising the prices of environmentally dangerous products without introducing the corresponding taxes would only make them more lucrative for producers, and that, of course, would be unacceptable.

Another form of encouragement for enterprises with regard to socio-ecologic requirements could be mandatory centrally established price allowances for the most ecologically beneficial output ("clean" fuels, closed technology machine complexes) as compared against the prices of analogous output with the worst ecological profiles. These allowances should be financed not by the consumer, but by regional bodies which control and regulate the use of natural resources. The means should come from regional funds for the protection of nature. This will provide an economic incentive for the production and application of ecologically improved equipment.

### The environmental fund

The system of payment for natural resources requires improvement as well. The newly introduced Procedure for Determining and Applying Standard Fees for the Disposal of Pollutants into the Natural Environment stipulates two types of payment: one for permissible waste levels (within the established limits) and one for levels beyond that. In the first instance local soviets of people's deputies set the norms on the basis of the outlays which are necessary in order to carry out, according to the provisions of the plan, measures for lowering environmental pollution levels. Here deductions in republic and state funds for the protection of nature are taken into account. In this instance payment will come out of the enterprise's profits.

In cases which exceed the maximum norms permitted, the rates for deductions are determined on a small scale in relation to the standard fee for permissible concentrations. This is paid for out of the collective's *khozraschet* [economic accountability] income.

But the provisions that have been introduced are only half-measures. The most important prerequisite for using the payments in a way that more effectively exploits natural resources is their application in the formation of specialized regional and branch environmental protection funds. The enterprises themselves should also create their own environmental protection funds. Standardized rates of deduction can be set for these funds based upon a unit of pollutants discharged, taking into account how hazardous they are and their environmental impact. The means to these goals should be paid for from profits until they can be directed to economic incentive funds. An enterprise uses its own environmental protection fund to compensate for



expenses incurred for the sake of environmental measures. Together with deductions from profits, amortization deductions for environmental protection installations and units on the enterprise's balance sheet can serve as financial sources. Additional outlays for environmental protection should be covered by credit or sources of centralized financing, i.e., regional and branch environmental protection funds.

#### **The right to pollute?**

The method of accelerated amortization, which is used to expedite the formation of special environmental protection funds at enterprises, can act as a rather effective economic incentive for introducing clean-up equipment at environmentally hazardous works. This method is widely used abroad. Thus in Canada a two-year amortization period is provided for clean-up equipment; in France and Japan 50 percent of clean-up equipment is amortized for one year. In Great Britain, FRG and the USA, the amortization period for all clean-up equipment is five years.

A number of other economic controls exist as well which stimulate ecologically stabilizing behavior and are effective in the presence of developed market relations and clear regional standards of environmental quality. In effect, regional environmental protection bodies sell enterprises the so-called right to pollute within the limits of established pollution level allowances for the region.

Another way in which this right to pollute can be realized is a differentiated approach to organizing environmental protection activities which eschews standard units and permits a choice of clean-up technology. Such an approach assures the conservation of material resources as a result of the different necessary expenditures on environmental protection, depending on the characteristics of a particular branch of production. The essence of this method lies in the fact that clean-up systems are installed in those production sectors where they have the greatest impact and cost the least. Any reduction in pollutants below the established level will result in the right to expand production capacity. In some cases it is more advantageous for an enterprise to compensate its neighbors for their environmental protection outlays in order to be allowed to create additional wastes while keeping within regional allowances.

The policy of compensation for pollution has become widespread in various countries. For this purpose "ecological banks" are created. If an enterprise has managed to lower pollution levels to below the established norms, then it can deposit the "surplus" in the "bank" and receive monetary compensation. As a rule, regional environmental protection bodies act as brokers who regulate the use of "accounts," and in particular the issuance of quotas for additional pollution.

The application of market methods for regulating the protection of the environment in combination with other measures which act as incentives, including the transition of environmental protection services to *khozraschet*, can truly increase the effectiveness of enterprises' ecological activities.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Joint Stock Companies' Advent, Effect

904B0110A Moscow VESTNIK AGROPROMA  
in Russian No 51, 15 Dec 89 p 2

[Article by R. Khannanov, assistant professor at the Bashkir Agricultural Institute: "A Share of Stock—An Effective Stimulus for Production Development"]

[Text] During the March (1989) Plenum of the CPSU Central Committee, mention was made of the need for developing a system of cooperative banks and joint stock companies for the purpose of attracting the private savings of workers in the interest of improving the economic activities of enterprises and farms.

At the present time, we already have examples of the creation and efficient functioning of joint stock companies and yet it is still too early to discuss their use on an extensive scale. Such a new phenomenon for our agrarian economy requires thorough understanding and a scientific approach.

### Private Savings and Financial Turnover

The importance of joint stock companies lies in the fact that they make it possible to centralize monetary savings through cooperation in the net savings of workers and the finances of enterprises and also to avoid limitations on the turnover of private resources.

The creation of such companies is promoting an increase in the degree of socialization of production, it is introducing substantial changes in the attitude towards ownership and it is making it possible to overcome the lack of personal responsibility for national (public) property. Experience reveals that in those areas where joint stock companies are in operation there are better opportunities for improving the managerial results of an enterprise, since private labor savings are drawn into economic turnover—and this is a strong financial addition. A further increase in the efficiency and stability of agricultural production is one of the most important tasks of stockholder organizations.

For example, the funds of stockholders at the Kommunist Kolkhoz in Dvurechanskiy Rayon in Kharkov Oblast were used for modernizing the dairy farm and a sheep pen and for expanding a wild animal farm. As a result, improvements were noted in the indicators for the principal production operation, 8 percent more milk was obtained and the cost for a quintal of milk was lowered by 2 rubles. The use of stockholder funds made it possible not only to equip the farm's central farmstead with modern amenities, but in addition it resulted in a new production operation—a shop for the sewing of fur products. The stockholders were interested in all of these changes.

In satisfying such interest, it is possible to raise the income of the branch and, it follows, the amount of profit (dividends) realized.

Joint stock companies appear as an organizational form for an agrarian economy. Their creation at agricultural enterprises is not in conflict with existing legislation but, to the contrary, it derives from articles 9, 13 and 36 of the USSR law on "Cooperation in the USSR."

The condition that the free funds of stockholders are drawn into economic circulation mainly for the further development of production and the social sphere and for improving labor organization serves as the legal basis for the activities of joint stock companies. It must be reinforced in a normative document. The obtaining of income by stockholders only from the functioning of their funds is intolerable, since this leads to a curtailment of agricultural production and it opens up the path to unearned income, which is in conflict with the principles of socialism. This is inconceivable in the plan for organizing financial relationships in rural areas. The mobilization of the monetary resources of the population, combined with the use of joint stock companies, would convert the latter into a type of savings bank.

Thus, in terms of their economic-legal and social nature, joint stock companies assume a strictly labor character and exclude any exploitation of man by man. This thought must be reflected in an appropriate document, one which defines the legal status of joint stock companies in USSR agriculture.

### Legal Aspects of a Joint Stock Company

Joint stock companies can develop on a voluntary (contractual) basis, the legal form for which could be an intra-organizational contract concluded between a farm and the future stockholders—workers at the particular enterprise. The intra-organizational character of the relationships of the parties involved excludes the need for the normative (controlled in the manner established by law) principle for recognition of the companies or the registration of their status in a particular state organ. The goal of the activity—to raise production stability and efficiency—predetermines the tasks and functions of the joint stock companies and their place in the system of agricultural production. As one form for the initial production structure, joint stock companies can be combined with a lease contract, as is being done at the Novorayevskiy Sovkhoz in Alsheyevskiy Rayon in the Bashkir ASSR and at the Zavety Lenina Sovkhoz in Stupinskiy Rayon in Moscow Oblast.

A member of a joint stock company can be a person who has a direct labor association with an agricultural enterprise and, as exceptions, those who had such associations in the past (pensioners according to age, disablement or on the occasion of loss of a breadwinner, persons called up for service in the USSR Armed Forces—sent for training or who transferred to elective work).

Experience has shown that workers who are attached to enterprises which provide services for agriculture are not accepted as members of joint stock companies since they do not participate directly in the principal production operation.

Membership in a company is borne out by a share of stock which appears as a security and which simultaneously entitles its owner to receive a certain portion of the income of a joint stock company. In discussing the value of a share of stock, it would be more correct to mention its cost, for it is an object for purchase and sale for a definite group of people.

The turnover in shares of stock in agriculture, viewed as a market and as a sphere for the manifestation of commodity-money relationships, is limited. A share of stock functions only within the framework of the enterprise which produced it and applies to those persons who are on its table of organization. The cost of a share of stock is determined by the enterprise itself and is in no way dependent upon economic turnover, the dividend amount or the interest rate on a loan (bank). The price (cost) of a share of stock for an agricultural enterprise is determined based upon the production requirements and the need for ensuring its stable and effective development. This character of a share of stock and its property (economic) significance hinder the revival of monetary capital and the stock exchange. And it is believed that this should be reinforced in the status document for joint stock companies.

The concept of an exchange rate for a share of stock, in conformity with socialist agriculture, can and must have its own strictly determined composition. The cost of a share of stock must be directly dependent upon the managerial results of the shareholders, the level of development of agricultural production and profit, and indirectly—upon the dividend amounts. Otherwise the cost of a share of stock, yes and the joint stock form for the organization of production and labor, loses its stimulating value.

At the Ashkaderskiy Sovkhoz in Meleuzovskiy Rayon in the Bashkir ASSR, where a joint stock company was created, the cost of a share of stock includes one percent of the dividend for each 10 percent of the increase in a farm's planned profit. In other words, the cost of a share of stock is affected by the level of development of agricultural production.

A share of stock can be nominal and common (undefined). This means that their ordinary and privileged forms of surplus are not directly associated and are limited to the labor character of the nature of a share of stock and the final production result. The nominal form of a share of stock ensures the personal labor participation by kolkhoz members and sovkhoz manual and office workers in the creation of social well-being, whereas a common share of stock—stimulates highly productive labor and expanded reproduction and is

capable of furnishing large income and, it follows, dividends. The forms for shares of stock are stipulated in the normative document which regulates the legal status of joint stock companies in agriculture.

The holders of shares of stock have the right to join a joint stock company, to elect or to be elected to serve as a member of a company's council, to participate in the work of its administrative organs, to raise the question of the election of a company's management or that of an agricultural enterprise in the event insufficient profit is realized, to participate in the formation of an enterprise's plans, to receive dividends for each year of ownership of the stock shares and others.

The owners of shares of stock—stockholders—are obligated to observe labor and production discipline, to apply themselves in a conscientious manner to carrying out their work obligations and responsibilities based upon membership in a company, to protect socialist property, to undertake measures aimed at economizing in the use of resources, to prevent damage to physical assets and to introduce recommendations for raising production profitability and growth in profits. The holders of shares of stock who violate labor and production discipline are deprived of the right to dividends for the current year and in some instances of the right to own shares of stock. The experience accumulated at the Zavety Lenina Sovkhoz in Moscow Oblast and Bashkir farms which have joint stock companies reveals that membership in such companies represents a fine means for strengthening labor and production discipline.

#### **Through Shares of Stock—To the Possession of Public Property**

Since joint stock companies in rural areas are formed for the purpose of raising the efficiency and stability of agricultural production, they do not always experience a requirement for participating in the external turnover of resources and thus they are not granted the rights of a legal entity. At the same time, these companies are beyond any doubt participants in economic relationships and thus they must be recognized as subjects for economic law and as recipients of those rights and responsibilities which enable them to acquire an adequate degree of independence and to carry out their principal obligations with regard to the production of agricultural products.

But this is not meant to imply that joint stock companies are structural subunits of kolkhozes and sovkhozes.

In the future, with the development and an expansion in the tasks and functions of joint stock companies, they can transcend the bounds of agricultural production and be created in other branches of the agro-industrial complex. These companies will then quite properly acquire the rights of a legal entity. This is objectively conditioned by a greater intensification of the integration and cooperative processes taking place in the agrarian sector of the country's economy.

Self-government in joint stock companies should be combined with state control over the affairs of stockholders. But this is not meant to imply that the organs of agricultural administration can interfere in stockholder affairs, for example in the withdrawal and redistribution of their income. Stockholders possess, use and dispose of their own property independently, being limited in this regard only by the law. The relationships with other organizations, including administrative organs, should be predicated upon commodity turnover and wholesale trade cash funds. At the present time, the chief restraining factor with regard to carrying out the plans for the expansion, modernization and creation of production and socio-cultural installations is the absence of a market for the means of production. Indeed the sale of stock shares is only a starting point at which circulation commences: money—goods—money.

Sources for the formation of property can include a certain portion of the profit reserved for use in the event of economic disproportions and irregularities, securities of stockholders, funds obtained by them from property guarantees in banks and even property in kind that belongs to members of joint stock companies (seed for certain deficit crops, feed, especially productive strains of animals and poultry and others). The centralization not only of monetary funds but also property raises the independence and self-supporting ability of companies and in essence it reflects the specifics of agricultural production. With the aid of such centralization, it is possible during unfavorable years to avoid economic instability on a farm. It is considered advisable in this regard to define more precisely, from a legislative standpoint, the sources for the formation and for directing the use of centralized property by a company.

The value of shares of stock in all instances should be ensured by the property of the agricultural enterprises. This is important for activating the formation of joint stock companies, drawing into them a larger number of agricultural workers and concentrating their property in the interests of greater production development. The holders of shares of stock must be authorized at any moment to sell (return) the shares to the farms and the farms in turn are obligated to return the value of a security within a definite period of time and with no payment of dividends. In actual practice, it is done in precisely this manner.

Joint stock companies can function only on the basis of self-financing and self-investing principles.

Self-investment does not signify a diffusion of the rights of ownership of investors for means of production acquired at their expense. But they are justified in obtaining a portion of the profit—dividend—formed proportional to the monetary investments and work effort, with the dividend amount being limited only by the volume of the profit obtained. Moreover, the means of production must remain socialized, since this will make it possible to accustom the workers to public ownership.

In connection with the creation of joint stock companies, self-investment should ideally be combined with a lease contract. This will make it possible to attract the private savings of lessees, not for an impersonal general farm fund but rather for specific production measures.

Information on profit is the responsibility of the farm. It has a mobilizing and, it follows, a stimulating effect as far as labor productivity is concerned.

### On the Payment of Dividends

Agricultural enterprises guarantee the issuing of dividends in annual percentages depending upon the amount and the increase in the profit obtained. If for a number of reasons the total amount of profit turns out to be less than the planned amount, the payment of dividends can be carried out using other sources, for example the material incentive fund for farms. The anti-expenditure mechanism must serve as the basis for determining the dividend amount. It is believed that the system for the issuing of dividends should be set forth in the normative documents for joint stock companies. The operational practice in this regard is very contradictory. Use is made of a dividend payment in a percentage of the planned or simultaneously of the planned and above-plan profit and the rates of growth in profit.

The relationships of an agricultural enterprise with a bank should be developed based upon an agreement which sets forth the obligations of the parties involved with regard to protecting the monetary funds or issuing them to a farm for the purpose of making restitution to stockholders upon their departure from the company. A special need exists for stipulating the obligation of a bank to issue percentage payments for the use of funds earned from the sale of stock shares, particularly in view of the fact that this question has still not been resolved legislatively. The agreement must ensure freedom for the movement of money, including cash, since this will strengthen the financial independence of the farms.

### Need for Legal Regulation

The appearance of joint stock companies in the agrarian sector of the economy is producing new social relationships which require legal regulation not only by such USSR laws as "A State Enterprise (association)" and "Cooperation in the USSR," but also by other normative documents which regulate in detail the legal status of new agrarian formations.

The creation and functioning of joint stock companies in rural areas is a new phenomenon and yet it has already shown its economic advisability and vitality. However, the work of these companies is not considered to be a panacea or remedy for mismanagement. Joint stock companies represent only one element in a system of measures aimed at improving the structure of agricultural production and administration and raising its efficiency.



At the same time, we must foresee the possible problems associated with the development of joint stock companies. Their advancement beyond the limits of individual enterprises and further democratization of the national economy can bring about the creation of a securities market and, it follows, instability in joint stock capital. Today this is an undesirable phenomenon for the economy, including the agrarian economy. This is why stock shares must be nominal, with no exchange value and with no authorization for their use in payment transactions. It seems to me that in the future we will be unable to proceed in the absence of a securities market, bearer stock shares, order shares, promissory notes or if we fail to take them into account in our banking institutions. In short, under the new management conditions, joint stock companies can become an effective counterweight for an inflexible and centralized financial-credit system.

The appearance of money among joint stock companies leads to a reduction in monetary funds in the state banks and this affects their cost accounting interests substantially. I dare say that bank competition is a positive phenomenon in the economy, since it creates the danger of a flow of monetary funds from the sphere of one particular bank (system of banks) into another.

The development of joint stock companies is capable of improving the financial security of the national economy and raising its effectiveness.

### **Nature Of Peasants' Relationship To Land Viewed**

#### **How Will Land Be Distributed?**

904B0150A Moscow SELSKAYA ZHIZN in Russian  
11 Feb 90 p 2

[Article By V. Virkunen: "Will They Give Us Land?"]

[Text] On 9 February, under the chairmanship of Deputy A.F. Veprev, a session was held of two USSR Supreme Soviet committees, the Agrarian and Food Committee and the Legislation, Legality and Law and Order Committee. During the session the final version of the draft law on the Foundation of Legislation of the USSR and the Union Republics About Land, which was elaborated during the nationwide debate, was analyzed.

The question posed in this article's title is on everybody's lips now. Both in cities and in the country people are concerned to an equal degree over our main law...about land. Will the person who works the land get to own it?

The variation of the draft law on land which was discussed at the joint session of two committees states unequivocally: yes, the land will be distributed. Article 3 of the draft states: each citizen of the USSR has the right to a plot of land.

But in what form will the right to land be given to a citizen: in the form of a life-long hereditary proprietorship or in the form of ownership? Another variation of the draft on the Foundation of Legislation About Land gives the union and autonomous republics the opportunity to decide independently this question.

But despite the constructive nature of the parliamentarians' work there were moments when individual deputies under pressure from the internal ideological censor who sits in each of us would inquire: where are we pushing our villages?

We must reject a state monopoly on land. That is simply a necessity. All participants of the session were in agreement with this. But how can that be done; in what form should the land monopoly be dismantled? I think that all of us are bothered to a certain degree by an element of ambiguity in our internal convictions which is an obstacle of kinds and which does not allow common sense to go beyond rigid ideological boundaries. This is where the question comes from, inexorable, firm, polished from constant use and heavy as the stock of a rifle: what did we fight for?

This internal ambiguity was demonstrated rather vividly by the words of Deputy V.A. Starodubtsev whom one could not call a dilettante in agriculture. His opinion is quite authoritative. Starodubtsev is a farmer by birth, a professional who knows his country well. He is categorically against private ownership. First and foremost, of land.

At the same time Vasilii Aleksandrovich, as a diligent farm manager, cannot turn his back on common sense and reports that he is for a variety of forms of management.

Makes sense? Definitely. If we demonstrate by pointing our fingers at concrete examples, then everyone is "for." But as soon as we start talking about terminology, then we discover a drastic, categorical rejection. Why? After all, if we allow the existence of the peasant farm, of the individual farmer, that means that we must inevitably part with the unsound ideological postulate about the inadmissibility of private and group ownership under socialism.

One can understand this type of doubt and hesitation. For too long, for entire decades, our society was persuaded that the land should remain the exclusive property of the state and that this was our greatest achievement.

It turned out to be just the opposite: thousands and thousands of villages were ruined; they have been degraded and they are perishing because of erosion. Tens of millions of hectares of yesterday's farm land have been overgrown with brush. This is what a state monopoly on land has led to. And this will continue if we do not turn over our greatest resource to the proprietor. And who is this proprietor? There is one answer: it is the collective or individual owner. That is why Deputy I.Kh.

Rayg proposed to ratify by legislation the multiplicity of forms of ownership of land. This will become a logical continuation of the political reform. A multiparty system has already become a fact of life. The Plenary Session of the CPSU CC which took place recently abolished the monopoly of the Communist Party.

Another of the most controversial points of opposing opinions is land reform, without which the peasant will not receive any land. If a multiplicity of management forms has been decreed, then where will the agricultural cooperatives, peasant farms and individuals get their land? After all, the collective and state farms have permanent use of all the land. Naturally, the collective farming units generally do not intend as of yet to give the land to just anyone who happens to want to farm it.

That is why concern could be heard in the speeches of many of the deputies. So how are we to dispense land to the peasants? Deputy A.F. Veprev expressed the general opinion and proposed that one more article be added to the draft law during its final editing which will define a mechanism which guarantees the right of a citizen of the USSR to land.

### Opposition To Buying, Selling

904B0150B Moscow SELSKAYA ZHIZN in Russian  
7 Jan 90 p 1

[Letter To editor referring to SELSKAYA ZHIZN 19 November 1989 article, published in JPRS-UEA-90-005, dated 9 February 1990, p 35: "Will They Provide the Land?"]

[Text] We are in favor of forbidding the purchase or sale of land forever. We are in favor of having only the rural, city and oblast Soviets of Peoples' Deputies be in charge of and apportion the land to leaseholders. We fully support People's Deputy D.K. Motornyy who proposed: "I propose that the Law be written as follows: that the uncultivated and inefficiently used lands be leased...But the collective farms must not be plundered!" Very well put! Even the American government is attempting to consolidate small-scale farms, since this is more profitable. In the newspaper there was an article by an American who advised that we not rush with the liquidation of the collective farms. Apparently, he wished the Soviet people well.

**The Kozinchenkos, Labinsk, Krasnodar Kray**

### Nikonov Supported

904B0150C Moscow SELSKAYA ZHIZN in Russian  
3 Feb 90 p 1

[Letter to the editor referring to SELSKAYA ZHIZN 19 November 1989 article, published in JPRS-UEA-90-005, dated 9 February 1990, p 35: "Will They Provide the Land?"]

[Text] Who hasn't expressed his opinion or made a judgment today on, as we say, our peasant land. Whose

is it, to whom does it belong and can we sell it, divide it, give it as a gift and inherit it? I believe that Academic A. Nikonov put it correctly when he said that the land is not some kind of commodity to be sold. As far as inheritance is concerned, certainly it should go to whomever was living with the parents and farmed the land.

**I. Petrov, Tikhvin**

### Problems Remain

904B0150D Moscow SELSKAYA ZHIZN in Russian  
17 Feb 90 p 1

[Letter to editor regarding SELSKAYA ZHIZN article dated 9 January 1990: "That's How I Think, Confess And Believe"]

[Text] For the past five years we have been strongly agitating for and persuading the peasants to accept leasing and individual farm management. SELSKAYA ZHIZN began to publish the names of new leaseholders and farmers who were going to feed the country. And two years later it introduced the column, "The market, what costs what?" Instead of an abundance of food products we got sky-high prices. One of the first decrees of the Soviet power was the Decree On Land. It satisfied the peasants' aspirations and did not allow leasing or hiring. This was the wish of the working peasant.

**V. Yestafeyev, Village of Promyshlennaya, Kemerovo Oblast**

### VASKhNIL President Nikonov on Land Ownership

904B0082A Moscow EKONOMICHESKAYA GAZETA  
in Russian No 49, Dec 89 p 9

[Article by A. Nikonov, VASKhNIL president, academician: "To Give Back To Land Its Owner"]

[Text] I agree with the basic provisions of L. A. Abalkin's report at the All-Union Scientific and Practical Conference on Radical Economic Reform. At the same time, I believe that the reform has not been reflected in the country's agro-industrial complex, where three-fourths of the consumption fund is formed, if one paragraph about pluralism of the forms of ownership is not taken into account. Incidentally, the presented principal points also need serious clarifications.

Permit me to dwell on the most important problems of the APK. With all the intensity of the lag in the agrarian sector of the economy the following question is legitimate: Can we overcome these difficulties in our depeasantized country and establish an efficient agro-industrial complex in the very near future? It seems that we can if we solve all the interconnected problems consistently, comprehensively, and persistently and do not look for the magic wand. What should be done? First of all, it is necessary to ensure:

- the peasant's stable ownership and confidence, ruling out an absence of personal responsibility in the use of land and other means of production and the right to dispose of the products obtained;
- well-organized service with a prompt filling of farm orders and a market for the means of production, which makes it possible to select and receive everything that is necessary;
- the worker's high professionalism and the strictest observance of technological discipline, which does not make it possible to abandon, not finish, or execute something with a low quality;
- rapid mastering of the achievements of scientific and technical progress;
- developed cooperation based on division of labor;
- the peasant's legal and social protection at a kolkhoz, sovkhoz, cooperative, in leasing, and on a private labor plot;
- efficient structural policy. It was begun correctly, but needs to be intensified significantly.

I do not want to overburden attention with figures. I will say one thing: the extremely burdensome economically and morally and politically disgraceful amount of food imports is not the peasant's fault. This is the high price for our general mismanagement, first of all, outside the confines of rural areas, the price for a long time of damaging structural policy. After all, we lose much more of our own products grown on our fields and orchards than we purchase from distant countries at a higher price. Therefore, conversion should be accelerated and turned maximally toward the needs of rural areas. Transport, warehouse capacities, and refrigerators should be given to them and, perhaps, the best foreign firms should be enlisted in the establishment of joint enterprises. This will make it possible to manage things much more energetically and with less red tape than now.

In the present state of everything that follows agriculture in a chain, with such a level of quality and discipline, there is simply no sense in expanding the volume of production of agricultural raw materials. Their spoilage on a large scale is not only devastating, but also antimoral.

We must also not fail to mention prices and everything that is connected with the economic mechanism replacing the departing command system. The moment is truly dangerous. After all, this year we have gathered more grain than last year and we have purchased less. God forbid that someone will get it into his head to do what Stalin did in a similar situation. At that time everything was raked out from farms almost for nothing. We will not recover quickly from this historical tragedy.

Now we will touch upon management forms and the freedom to choose them. Swords are being crossed around the fate of the kolkhoz and the sovkhoz. Some advocate the development of private farming and land

distribution. What stand should be taken? Apparently, we must proceed not from specific schemes borrowed from other experiments, but from our present realities. The problems that the peasant ought to solve himself should not be solved for him. Permit me to refer to A. V. Chayanov, who said the following as long ago as the summer of 1917: "...forms of land use should not be prescribed contrary to local conditions. The error of Stolypin's famous ukase (9 November 1906) lies in the fact that Stolypin wanted to destroy the community by force. This should not have been done. Where the commune had its day both in the west and in the south-west of Russia, it died regardless of Stolypin. However, where it was alive and the people needed it, even the bold minister of the old regime could not destroy it."

Of course, the kolkhoz is not a commune, but there is something similar between them. If a crime was committed in 1929, it would be reckless to carry out recollectivization now. We have recognized the pluralism of ownership and management forms. This is a great deal and a big step forward from dogmatism and from the blinkers pressing upon our eyes. For the time being, however, this is only a declaration.

Today it is a matter of something else—of creating really the same economic, legal, social, technical, and psychological conditions. This is the heart of the matter. But now unlucky lessees, not to mention the individual peasant, seek help in bank, supply, and other offices, for the most part, unsuccessfully.

Right now life has given rise to a vast number of production management forms, first of all, within the framework of kolkhozes and sovkhozes. They also appear outside these farms, on a leasing and cooperative basis, and at the level of the family and a small group of workers—different new formations along horizontal and vertical lines (combines, firms, groupings, associations, and production and scientific production systems). There are several thousands of peasant (private farmer) farms. Where and how should they be established? Obviously, where there are people who want and are able to manage such farms, where there are skills and traditions, as well as favorable natural conditions.

There is also another path—the evolution of kolkhozes and sovkhozes themselves toward democratization, cooperation, and, consequently, unfettering of man's initiative. Some experience has also been accumulated here. There are already approximately 150 such farms. In principle, this is an easier and less capital-intensive path, because the infrastructure of rural areas, which has already been created, is used. At the same time, however, the structure and methods of management are changing radically. A higher degree of organization and, if one can say so, discomfort for the management of the old school are required here.



We would like to note that with the extensive transition to new principles psychological barriers also arise. For example, in Pytalovskiy Rayon, Pskov Oblast, where purposeful work in this direction has been carried out with skilled scientific support for 3 years, only 30 percent of the rural residents have changed over to different forms of leasing relations. There is an effect here. But the rest consider this burdensome for themselves. Although they live more poorly, life is easier and more carefree for them—they do not have to be responsible for anything. The lessee—in general, a diligent peasant—often is surrounded by a wall of envy and malice on account of his high earnings, while his labor is much more intensive. How to break this psychology? Apparently, long, intelligent, and persistent work with people is needed.

Now about land and ownership. All of us are anxious about the situation regarding the financial economy in the country. I believe that with all the difficulties matters can be improved here more rapidly than the situation with land. Our land is in the most disastrous situation. It is being alienated, cut up carelessly, flooded, and salinized. It is being overgrown with weeds and destroyed by erosion. Natural fertility has already been lost on two-thirds of the areas. But nature has spent millions of years on the creation of a thin 20-cm soil layer. Therefore, stocktaking of areas and land reform within the framework of general economic reform are needed.

We have paid a great deal of attention to factors in intensification and selection of plants, although we use only 30 to 40 percent of the biological potential of the varieties that have already been developed. Often the condition of the soil places limits. Until now this somehow has not been in the center of public attention, although there are many scientific developments here.

The subtlest and, I believe, most crucial problem concerns land ownership. Heated debates in scientific circles, in committees of the USSR Supreme Soviet, and in society have been going on for a long time. Apparently, the principle considering land the property of the whole people, which was adopted 72 years ago, but was flouted later, should be considered correct. Land should not be traded. It should not be given as a gift and mortgaged. Soviets should dispose of it—not departments, but soviets.

However, how to combine the principle of property of the whole people with strict personal responsibility? This is not simple. We must get away from no man's land, which has flourished for many decades. Soviets can delegate the right of ownership to state enterprises at various levels and to collectives. Individual labor ownership is also possible. This form is not indisputable, but it excludes exploitation and easy profit at the expense of land without labor.

Another formula is also heard: lifetime and inherited possession and use of land. Obviously, a broader council is needed here. A charge for, but not the buying back of, land by the rural worker. It was bought back by the

peasant a long time ago. A cadastre, strict protection, and state regulation of the use of land are needed.

And last. We will have laws, although they are born in torment. The chief thing lies in something else—in their execution and in the realization and control mechanism. When a law exists, but is not used, it is awful. Without respect for law and the country's leadership it is difficult to create a law-governed and democratic state.

## LAND RECLAMATION, WATER MANAGEMENT

### Minvodkhoz Environmental Policies Seen Unchanged After Reorganization

90US0515A Moscow IZVESTIYA in Russian 7 Feb 90 Morning Edition p 3

[Article by USSR People's Deputies S. Zalygin, A. Kazannik, V. Tikhonov, A. Yablokov, and A. Yanshin: "Water in the Nets of Minvodkhoz"]

[Text] The country's public breathed easier when the "project of the century," the diversion of northern rivers into the Caspian and Aral Seas was stopped. The further along it got, the more adventuristic this project seemed to many, many scientists, scholars, specialists, and participants in the ecological movement. Afterwards, projects for other diversions were rejected: the Danube-Dnepr, the reservoir construction on the Belaya river in Bashkiria, the Volga-Chogray, and each time, our amazement knew no bounds: By what means was Minvodhoz [Ministry of Water Resources Construction] managing all the same to dig and dig, to invest tens and hundreds of millions of rubles of the people's money in projects which had not yet finally been confirmed? And not only invest it—to finish billions worth of construction on projects the advisability of which had never, anywhere, in any way, shape, or form, been proven. An example of this is the Volga-Don-2 canal, the brainchild of comrade V.I. Kalashnikov.

Minvodhoz is currently reorganizing itself. This is now no longer the Ministry of Land Reclamation and Water Resources. They let the big one get away: previously, Minvodkhoz, even though unwillingly, with loathing, had to concern itself with land reclamation. Now it is free of that "load." Know thyself; dig and delve. After all, it is well known that earthmoving work is the most advantageous and the most "padded," and now the ministry is not even formally concerned with improving the lands as such.

And it should not take long to find a minister. There he is, right on the spot. P.A. Polad-Zade—the right hand and first deputy of the long-term stagnation minister, who has departed for a (the tongue cannot be twisted to say the usual—"well-earned") rest. He is full of creative intentions, energy. Well, a real newborn work superintendent of perestroika!



The Government believes him. Otherwise, why would he have twice been presented to the USSR Supreme Soviet as a claimant to the post of minister? Yet it was with these two occasions that there occurred an unprecedented oddity. Deputies usually heed second requests of Nikolay Ivanovich Ryzhkov; after all, it happens that emotions predominate the first time around. But here, the candidacy did not get through the second time. And it is not a matter of emotions, but of the precise knowledge of the fact that P.A. Polad-Zade has been and remains one of the chief ideologists and practitioners of the diversion concept so unpopular among the people.

Let us attempt to "compute" how Minvodkhoz-Minvodstroy is supposed to act, according to its internal logic, after such an impressive double defeat. Show up for a third going-over by the Supreme Soviet? Well, anything can happen, and pushing P.A. Polad-Zade through to the Government by hook or by crook is not to be excluded. But not very likely. Most likely, this could end up with the same version as in the Ministry of Culture: A totally "unprogrammed," totally new person, but one respected by the country, comes to the leadership.

According to our information, the main committees of Minvodstroy are being reorganized into associations. The latter, in turn, are uniting into a concern, which is being confirmed in place of Minvodstroy. And all of this, "at the initiative from below." In such a case, a leader with ministerial power factually in hand will not need to go through parliamentary confirmation. And it strikes all the major chords of the new economic spirit of the times!

If we were speaking of a genuine transition to economic accountability, to the track of economic reform... If the bitter experience of replacing Minvodkhoz with Minvodstroy had not shown that we are speaking only of repainting a facade under the guise of perestroika, and changing the sign... This is reminiscent of an army fated to utter defeat that is catastrophically losing both territory and vital strength, yet it all the same continues its senseless reformations.

Has the trend of Minvodkhoz-Minvodstroy activity changed? We assert that there are no principal changes.

Some 5 or 6 years ago Minvodkhoz promised to immediately introduce water for sale: it was going to purchase water from the state, and resell it to water consumers, charging for the expense of its transportation from the source to the user. What has been done in that direction? Absolutely nothing. Minvodkhoz promised not to start construction on projects not yet confirmed—we have already seen that such construction is in full swing even now.

Minvodkhoz artificially increases the efficacy of its jobs, determining the profit and achievement without consideration for the ecological damage, without the operations expenses, and also padding to its account the agricultural production that had been cultivated on the land before

their irrigation or drainage. And now it is calculating exactly the same way, perhaps even more adept at this terrifying arithmetic.

A review of the RSFSR Ministry of Finance established incidents in Vologda Oblast of the transition of substantial parcels of drained land into undrained land, and then came the repeat drainage of these parcels. For getting non-functioning land improvement systems into operation, the construction workers received bonuses, but the correction of the defect was done at the expense of the budget. Over 8,000 hectares brought into use between 1981 and 1986 are in need of major repair and reconstruction (this was reported by SELSKAYA ZHIZN).

More important: If anyone thinks that the time of the Minvodkhoz "projects of the century" has passed, he is seriously mistaken. The specialists and organizations of Minvodkhoz (let us say, SANIIRI [Central Asian Scientific Research Institute of Irrigation], in the person of its director, V.A. Dukhovnyy), which have wasted billions in order to ruin the Aral Sea, are now receiving the same money for its "restoration," by the same exclusively hydrotechnology methods, that is, by lining the new canals. Yet land reclamation methods, and not hydro-technology jobs, are what is needed here to restore the losses. Moreover, it is impermissible to entrust this work to the same people who bear the responsibility for the catastrophe that took place, whose result can only be compared with Chernobyl.

Photos from space persuade that the canals made by Minvodkhoz, including the main ones, "leak": colossal filtration of water into the ground is taking place. Only 20-30 percent of the water reaches the plants; the rest goes into the sand. This leads to swamp formation and salinization of the land both in the irrigation zone and beyond its bounds. On a countrywide scale, no fewer than 25 million hectares of agricultural lands beyond the bounds of the irrigated territories have been subjected to secondary salinization, flooding, and swamping, that is, more land than has been irrigated. A concrete agro-ecological concept for the restoration of soils in the region of Central Asia was developed by scientists, but is was not called upon. And of what use is it to the Minvodstroy leaders when the projects and construction jobs of the century were carried out, and are still carried out by the ministry in all their undisguised outrageousness. Only now they are situated somewhat further from the public, which has, in recent years, one way or another gained experience in fighting such adventurism.

The Danube-Dnepr or Volga-Chogray diversions have been shut down? No tragedy. We will push through the South-Omsk irrigation system and the Ob-Chany canal in Novosibirsk Oblast... Yet what can be said about the first project at a cost of 3.8 billion rubles, if the designers themselves determine the construction period to be...35 years, plus a 15-year "assimilation period"? This means that none of them will even be in his post when the time comes to ask, "Well, what kind of mess have you made?"

And that question will inevitably arise. After all, the project is being done on soils for which, according to the conclusions of authoritative specialists, irrigation is simply counterindicated.

Here is one more tried and true Minvodkhoz method: promising to fix the Omsk water supply system, thus trying to get public opinion over to its side. This has also taken place (and is taking place) in the project of restoring the Aral Sea: You give us the money for irrigation canals, and we will not forget the community water supply! But surely this is no more than a lure. The problem of the community water supply must be resolved on a completely independent basis, with the utilization, where possible, of ground water, and in the South, with the assistance of desalinization installations and other means. Yet it is advantageous for Minvodkhoz to combine these two problems into one: So to say, if there are to be no irrigation canals, there will be no drinking water.

The Ob-Chany diversion project can lead to the most dramatic consequences in Novosibirsk Oblast, where Minvodkhoz long-term construction projects have already devoured hundreds of millions of rubles. All the deadlines have long since passed, yet there is no end to the jobs in sight. And now, instead of somehow bringing to a close a job that has already begun, the Ministry begins a new billion-ruble project, assuring us that it will restore the fish resources of lake Chany. The specialists did their calculations and shrugged: considering the construction expense, each fish in the lake will be golden. And if the long-term construction expenses of the previous years are taken into the calculations...

We would also like to note the duality of the position of the local leadership and the newspapers OMSKAYA PRAVDA and SOVETSKAYA SIBIR. Neither print organ can avoid any longer the discussions on these construction projects—it is, after all, the “people’s” construction—and great projects at that. So materials “for” and “against” these projects are published. Everything would seem to be democratic. Yet if just one side of the scale starts to tip against the projects of the century, the final word is granted to someone from Minvodkhoz, and the discussion is declared closed. Under the strict control of the local leadership, the newspapers cannot give the projects an objective evaluation.

As the result of the Minvodkhoz activity, in the country approximately 4 million hectares of previously irrigated land and over 1 million hectares of previously drained land have been officially written off; more than 9 million require reconstruction, and 30 million hectares have noticeably lost their fertility. The ecological damage totals hundreds of billions of rubles.

When Minvodkhoz-Minvodstroy is subjected to withering criticism, not somewhere among the “militant intelligentsia,” but literally throughout all strata of the population, the idea is expressed of closing this department, since the fruits of its anti-popular mismanagement

are literally in front of everyone’s eyes, the justification is dragged out into the open: those who are against Minvodkhoz are proposing the elimination of water management. This is the age-old self-defense of obsolete structures—to equate their own end with the end of the world.

But no! We are not against water management! No one is planning to make any attempts against this most ancient, most respected form of human activity. Exactly the opposite: We are in favor of finally regenerating it in the country, after the decades of the expenditure bacchanalia of the ministry of water mismanagement, as Chairman of USSR Goskompriroda [State Committee for the Protection of Nature] N. Vorontsov christened Minvodkhoz in a new year’s interview with IZVESTIYA.

Minvodstroy assumes that it can restructure itself, re-educate itself, “come clean.” We do not. The new anti-expenditure concept of water utilization in the country demands a revolutionary break with the old structures organically incapable of solving the problems that have arisen; it demands the creation of new ministry of water resources organizations, alternative in spirit.

And no positive moves will happen here if the salvation of the Aral Sea is handed over to the control of those who ruined it. True, any organization has the right to correct its mistakes. But not at the expense of the people’s millions and the people’s health! Minvodkhoz has already scattered about the country too many such “corrective polygons.”

And finally, in addition to the right to correct mistakes, there is the responsibility for them. But that is somehow not really too evident when the subject turns to Minvodkhoz-Minvodstroy; there is solid clemency (which was somehow lacking on its part toward the residents of the Aral area and many other regions).

Yet today, we hardly expect any such repentance from the current Minvodkhoz-Minvodstroy. Therefore, a great deal more sense is seen in the proposals which resounded in IZVESTIYA, in the article of Professor B. Vinogradov, “First We Cut, Then We Measure?” (No. 219, 1989). The USSR Supreme Soviet committees on construction issues and on ecological issues, in conjunction with the USSR people’s control committee, must conduct a countrywide audit of all the water resources structures and irrigation systems, and a review of the financial expenditures and their correspondence to the technological and economic requirements. The USSR Council of Ministers state committee for extraordinary situations must head up this work, since, as B. Vinogradov justly noted, “in every unfounded water resources project there is programmed both a future extraordinary situation, and an ecological-economic catastrophe.” Finally, the USSR Procuracy must determine the personal and collective criminal responsibility for the damage inflicted upon the country.

New irrigation construction should be halted for at least 5 years, and only the reconstruction of existing hydromelioration systems should be undertaken. The funds and material resources thus freed should be directed toward the socioeconomic development of the village. After all, we are speaking about tens of billions of rubles: certainly this money could be used for all the articles of our pinched budget?!

In our view—and this has long been established, confirmed by numerous facts and materials—Minvodkhoz has become an unnecessary spendthrift mechanism that is doing more harm than good. In recognizing this, Minvodkhoz is attempting to give itself a different, "associative" face, as well as to assimilate the functions of agricultural and road construction, supplying natural gas to the countryside, and other functions.

Thus, on its own it whispers the solution: it is necessary to eliminate Minvodkhoz in any of its forms, as has been done with an entire range of other departments. There must be created in the republics universal ministries of rural construction in which no one branch may crush any other.

#### **State of River Pollution in Uzbekistan Summarized**

90US0515B Tashkent PRAVDA VOSTOKA in Russian  
5 Jan 90 p 3

[Article by G.A. Balayants, Uzbek SSR Goskompriroda Department for Water Resource Protection, recorded by R. Kasymov: "Man and the Biosphere: What is Ailing the Rivers"]

[Text] G.A. Balayants, Uzbek SSR Goskompriroda [State Committee for the Protection of Nature] Department for Water Resource Protection, describes the result of the "Ekologiya-89" expedition's work investigating the rivers of Uzbekistan.

Six ecological expeditions set out for the republic's rivers in the summer of this year. They worked under the guidance of specialists from the Uzbek SSR Goskompriroda, with the participation of deputy groups from the republic's Supreme Soviet, representatives of the Ministry of Health, Uzbek Goskomvodkhoz [State Committee for Water Resources Construction], public formations, and the mass information media. The expeditions investigated the rivers Akhangaran, Chirik, Zerafshan, Kashka-Darya, and Surkhan-Darya; in Tashkent, the rivers and canals of the Salar, Karasu, and Ankhor. Within the scope of their attention were the industrial enterprises, livestock complexes, community-use and other facilities situated in the riverside zone.

The ecological party revealed an extremely strained ecological and sanitary-epidemiological situation in the river basins. The causes for this—the unsatisfactory condition of construction and exploitation of environmental preservation installations, the lack of purification installations in the majority of the facilities of the former

Gosagroprom, [Uzbekbriyashu], and Ministry of Health, the uncontrolled use of pesticides, and the cluttering of shores with waste and household garbage. Processing of sand and gravel pits is conducted in the river channels, as a rule, without plans, just naturally. Situated in the flood plain and within the boundaries of the water protection zones of the rivers are livestock breeding complexes, feeding stations, private farms, dacha sectors, rice and other agricultural crops requiring cultivation with poisonous chemicals and application of chemical fertilizers.

Particular mention should be made of the strained ecological situation in the Zerafshan and Chirik basins.

The Zerafshan is polluted throughout its entire length. At the river's mouth (Pervomayskaya dam), the water is polluted with phenols, pesticides, copper, and chromium in amounts exceeding the PDK [maximum permitted concentration]. Antimony levels in the water higher than sanitary norms—such is the result of the discharge into the Zerafshan of the untreated wastes of the Anzobskiy mining enrichment combine (Tajik SSR). But all the same, the rivers within the territory of Samarkand Oblast receive a significant dose of the poison. The river water quality is sharply decreasing as to content of organic substances; the value of the coliform index (bacterial contamination) is growing 240-fold during individual periods. The main reason is the inoperative status of the Kattakurgan treatment facility (under construction since 1976; to be introduced at the end of this year), and the insufficient capacity of the facilities in Samarkand.

Storage and processing of waste materials, the preparation of manure ground composting were not organized in a single one of the farms or stock breeding complexes investigated. The mass assimilation of river and canal embankment strips for agricultural crop cultivation is under way; mineral fertilizers and pesticides are being used, something which is categorically prohibited. Along the entire length of the river, farms and organizations extract construction materials from the river channel at will.

An unsuccessful ecological program has been established along practically the entire length of the Chirik from Charvaskoye reservoir to its confluence with the Syr-Darya.

The river water quality is affected by discharge waters coming from the enterprises of Chirik, Tashkent, Yangiyl, and Gazalkent; wastes from the farmlands, fiber processing factories, stock breeding farms, and health treatment facilities of Bostanlykskiy Rayon. An increase in pollution is observed in a direct line from the "Elektroprom" production association and the Uzbek combine of high-fusible and heat-resistant metals.

The Novomayskiy fiber processing factory discharges up to 1,000 cubic meters per day of insufficiently cleaned

wastes having a high concentration of organic and mineral compounds; this comprises a 4-fold excess of permissible norms of the substances measured, a 23-fold excess of the organic contaminants, and a 20-fold excess of nitrogenous ammonium. The discharge waters of the lead complex (unpurified) aggravate the general background as they flow into the drainage collectors, then into the Chirik. The levels exceeding the PDK for increased substances here are in general, 7-fold; for nitrogenous ammonium, 19-fold, and for organic substances, 34-fold. And that is with dilution of the discharge with ground water in the collector!

The Tashkent petroleum facility is situated in the river's flood plain. This is a gross violation of environmental protection legislation. As the result of major losses of petroleum products, there occurs soil contamination, pollution of the water table, as well as of the surface water flowing into the river.

The sanitary and ecological situation discovered on the shores of bodies of water in Bostanlykский Rayon, the canals of Tashkent, and the Akhangaran, Kashka-Darya, and Surkhan-Darya was most unsatisfactory.

The members of the "Ekologiya-89" expedition not only ascertained incidents of violation of environmental protection legislation, but took all measures for the recovery

of the water preservation situation in the river basins. Of the 270 river bank and protected zone sites investigated, 155 had received mandatory court orders; 42 enterprise leaders had been fined; activity had been halted at 53 facilities; 2 cases had been transferred to the procuracy organs; 3 suits for compensation of damage done to the state by polluted bodies of water had been presented, and 20 facilities have been issued orders for being transferred.

The expedition's audit showed that the unfortunate state of the ecology along shore strips and in the protected zones of flowing water has been caused by the lack of a master of the rivers, by gross violations of water preservation legislation on the part of managers of enterprises, farms, construction organizations, stock breeding complexes and others. It is worth mentioning the illegal activities of the local soviets, which allocate parcels without the consent of the environmental protection organs.

The expedition's main conclusion is that it is necessary to develop plans for the water preservation zones and the judicial formation of their boundaries, and to eliminate from the territory of the shore zones all crops, stock breeding farms, and other facilities.



## POLICY, ORGANIZATION

### Method Proposed for Calculating Food Consumption Funds Examined

904D0048A Moscow VESTNIK STATISTIKI  
in Russian No 12, 1989 pp 25-31

[Unattributed article under the rubric: "Discussion of Draft Methodology": "Calculation of the Food Consumption Fund"]

[Text] The establishment of this feature is an important condition for performing the tasks USSR Goskomstat faces in expanding the glasnost of statistics. Its purpose is to engage as large an audience of our readers as possible in discussion of current methodological problems.

USSR Goskomstat does calculations of the consumer fund as a whole and on a per capita basis for the principal foodstuffs (meat and meat products converted to meat; milk and dairy products converted to milk; eggs, potatoes, bread and baked goods, fruit and berries, vegetables, etc.). Calculations of the consumption fund by union republics have been done since 1955 and by oblasts since 1988. Balances of the principal products of cropping and animal husbandry are compiled for the same purpose in physical terms for the calendar year for the following categories of farms:

1. State farms, kolkhozes, and interfarm enterprises.
2. The population—as a whole, and then separately for kolkhoz members, workers, and employees.
3. All categories of farms.

The physical balances are compiled using annual reports of agricultural enterprises, statistical reporting on procurements and state and cooperative trade, and statistical data on the budgets of kolkhoz members, workers, and employees.

The physical balances of the products of cropping and animal husbandry answer questions about the level of personal consumption of the population, the proportions of the marketed output of agriculture, and the amounts of the product sold and purchased through various channels.

The balance of agricultural products is compiled by producer farms as follows.

First, supplies of the particular product are determined by adding up the volume of production for the given category of farms and inventories of the product at the beginning of the year. The volume of supply for the country as a whole includes imports of the products in question. The supplies arrived at are divided up among distribution channels: sales to the state and to consumer cooperatives, sales to organizations of Mintorg and to URS's and ORS's [worker-supply administrations and departments, respectively], amounts issued and sold for remuneration of labor to kolkhoz members, workers and

employees, and sales on the kolkhoz market. Calculations are also made of consumption for production (seed, animal feed, and incubation); losses on the producer farms; exports of the product outside the republic (oblast); and stocks at the end of the year. The difference obtained between supplies and the figures for the principal categories of distribution (use) will represent the **personal** consumption of foodstuffs by individuals from their own production, i.e., from the personal subsidiary farming operation.

The next step is to calculate consumption by the population from other sources.

Present practice is to determine **personal consumption of the population** from purchases from various sources and from products originating in the personal subsidiary farming of the population. These items are the following:

- purchases in the state and cooperative trade network attributed to state supplies;
- purchases from trading organizations of Mintorg, URS's and ORS's, and other organizations;
- purchases from consumer cooperatives;
- amounts purchased and received in kind by kolkhoz members, workers and employees from state farms, interfarm organizations, and kolkhozes;
- purchases on the kolkhoz market, including purchases of products imported from other republics (oblasts) through the channel of kolkhoz trade;
- products originating in personal subsidiary farming;
- amounts from other sources.

The difference between the volume of production and the consumption fund of the republic (oblast) shows the scale of consumption in the production process, losses, and changes in inventories. If a republic (oblast) delivers a product to the all-union fund or receives amounts from the all-union fund, it is importing (or exporting outside its borders), and this will also have an influence on the difference between the consumption fund and the volume of production.

The present practice in calculating the fund for consumption of foodstuffs on the basis of physical balances is cumbersome and complicated, and there are many conventions in the calculations of the various indicators, among which the following are the main ones:

- 1) Food is sold to the population in various forms. For example, meat may be sold in the form of sausage products, canned meat products, pelmeni, etc.; dairy products in the form of milk, curds, butter, sour cream, etc.; fruit and berries in fresh form, dried, in compotes, canned, etc. The figures of statistical reporting on products sold to the public in various forms are the basis for converting them with coefficients to the principal form of the product. There are differences in the coefficients used—some union republics use actual coefficients and others planned coefficients.
- 2) In the statistical reporting on state and cooperative trade, some indicators are given only in money terms

(for example, inventories at the beginning and the end of the period), stocks of the various forms of the product in physical terms are obtained by dividing the money figure by the average retail price, and the coefficients are then used for conversion to a single form of the product.

3) Since consumer cooperatives perform the role of a procurement organization, a portion of the output it procures is included in the state supply, but it is sold through the consumer cooperative. According to the instructions, products released from the state supply for sale by the consumer cooperative must be reflected in the reporting period. But in a number of union republics these figures are not very reliable, there is double counting of sales, and consequently the volume of personal consumption by the population is overstated.

4) Statistical data from the budgets of kolkhoz members, workers and employees in which a distribution coefficient is used, a coefficient to convert a number of products of processing to the principal form, are used in compiling physical balances for the population in rounding out the various items (purchases on the kolkhoz market, stocks, etc.), and this also results in important uncertainties as to the volume of output and sales calculated under the various headings.

5) There is a discrepancy in recordkeeping on output produced and sold by categories of farms, which creates certain difficulties in compiling the balance. For example, purchases by consumer cooperatives from individuals living on the territory of kolkhozes and sovkhozes are counted in the volume of **purchases**—for the socialized sector and in the volume of production for individuals; milk purchased from individuals under contract is counted in the volume of purchases for the socialized sector and in the volume of production—**for individuals**.

6) In accordance with the instructions now in effect, a number of items in the balance are carried over from the expenditure side to the income side. Moreover, in some cases it is assumed that they must be equal. For example, sales on the kolkhoz market are equal to their purchases; amounts of products sold (issued) in kind by kolkhozes and sovkhozes for remuneration of workers are equal to the figures on amounts of those products received by individuals; in some cases, equality of the items on the income and expenditure side is assumed because there is no statistical reporting on purchases. For example, purchases from trading organizations of Mintorg, from URS's and ORS's, and from other organizations are equal to the volume of their purchases; miscellaneous incoming amounts are equal to miscellaneous expenditures. According to the instructions, the figures on sales do not correspond to the figures on purchases in state and cooperative trade only with respect to two items in the balance: "Sales to the State" and "Sales to Consumer Cooperatives"—the reason here being deliveries to the all-union fund or products obtained from the all-union fund, imports and exports of products outside the republic, and other causes. When there is a discrepancy

between receipts and expenditures, these indicators can be linked for a number of products when this is taken into account.

7) In connection with the reduction of statistical reporting and annual reports of agricultural enterprises, a number of indicators which were used in compiling the physical balances of agricultural products have been eliminated, and this has resulted in lumping together certain items in the balance. For example, it is not possible to single out indicators on the size of sales on the kolkhoz market to rural inhabitants within the various figures on sales (purchases).

In view of what we have said, we are presenting proposals to change the procedure in effect for calculating the fund for personal consumption, to eliminate unnecessary calculations (conversions) of output to the principal form, and to take into account the methodology of Gosplan and international experience in calculating the consumption fund.

We propose calculating the personal consumption of the population (the consumption fund) by eliminating **from the volume of output produced** on producer farms (kolkhozes, sovkhozes, interfarm enterprises, and personal subsidiary farming of kolkhoz members, workers and employees) **that output which is not used for personal consumption of the population** through the following channels:

- a) consumption for production (seed, animal feed, etc.); consumption for technical, nonfood purposes;
- b) losses in all stages (production, transport, processing, storage, and distribution);
- c) changes in inventories at the beginning and end of the year on the producer farms, in wholesale and retail trade, and in the processing industry;
- d) foreign imports and exports and imports and exports between republics (oblasts) in interrepublic trade. The proposed computational procedure makes it possible to avoid conversions of the product to the principal form and artificial linkage of input and output items, it affords the possibility of objective description of the volume of the fund for consumption of the population, and it is also close to the methodologies for determining the consumption fund used in other countries.

Objections have been made to the procedure being presented for calculating the fund for consumption of principal foodstuffs. Specifically, it is proposed that losses be tabulated in more detail in all stages and that additional indicators be included in reporting on this aspect; that figures on the export of products from the republic be broken down in cooperative and kolkhoz trade, and that a line on consumption in industrial processing be included for a number of products.

Appendices 1 and 2 give the computational procedure and figures on the fund for consumption of principal

foodstuffs calculated according to the present procedure and the new methodology for the USSR and the union republics.

The fund for per capita consumption of the principal foodstuffs calculated according to the present procedure and the proposed methodology is given for the USSR as a whole in 1988.

	Per Capita Consumption, kg	
	Present Procedure	New Methodology
Potatoes	99	104
Vegetables and melons	101	107
Meat	66	67
Milk	356	355

Recently, there have been many critical objections as to the composition of the fund for consumption of meat and meat products; doubt has been expressed as to the reliability of indicators on the per capita level of meat

consumption. A proposal to change the composition of the fund for consumption of meat and meat products as a whole and per capita meat consumption will accordingly be presented for discussion of the Council on Scientific Methodology of USSR Goskomstat.

According to the methodology in effect at the present time, meat production means the carcass weight of livestock sold to be slaughtered for meat. Carcass weight is the weight of the dressed carcass of the animal after deduction of waste. The weight of the bones is included in the total carcass weight. Edible offals in categories I and II and raw fat are included in the total volume of meat production at their physical weight. (The composition of edible offals in categories I and II is given below.) The share of edible offals is determined for the various types of meat on the basis of coefficients actually arrived at in processing livestock at enterprises in the meat industry. The proportion of edible offals in categories I and II and of raw fat in the total volume of meat production is reflected in the following figures (for the USSR; all categories of farms; thousands of tons).

Year	Meat Production, Carcass Weight, th. tons	Meat Production Excluding Edible Offals in Categories I and II and Raw Fat	Breakdown			Share, in percentage			
			Edible Offals		Raw Fat	Edible Offals			Raw Fat
			Category I	Category II		Meat	Category I	Category II	
1980	15073	12604	589	1280	600	83.6	3.9	8.5	4.0
1985	17131	14391	651	1420	669	84.0	3.8	8.3	3.9
1986	18057	15171	687	1496	703	84.0	3.8	8.3	3.9
1987	18925	15894	722	1572	737	84.0	3.8	8.3	3.9
1988	19680	16524	722	1652	782	84.0	3.7	8.3	4.0

The relative share of edible offals in the fund for consumption of meat and meat products by union republics varies from 15 percent in Lithuanian SSR to 3 percent in Uzbek SSR and Armenian SSR.

The consumption fund is not identical to the volume of meat production and differs by the size of losses in processing, storage, and distribution and by consumption for productive purposes (to feed game and other nonfood purposes), by the change in inventories, and by the size of exports outside the republic (oblast).

In 1988, the fund for consumption of meat and meat products (converted to meat) was 18.9 million tons for the country as a whole (including imports), or 66 kg on a per capita basis. According to the methodology in effect

at the present time, the composition of the fund for consumption of meat and meat products includes the following:

- meat of various types of animals (beef, pork, mutton, rabbit, reindeer, horse meat, camel meat, poultry meat, etc.);
- meat products converted to meat with the respective coefficients (sausage products, canned meat and meat-with-vegetable products, rissoles, pelmeni, frozen meat dishes, etc.);
- edible offals in category I (liver, brain, kidneys, heart, tail of cattle, sheep, and goats, etc.) at physical weight;
- edible offals in category II (tripe, stomach, lungs, pig's feet, head, spleen, udder, etc.) at physical weight;
- edible animal fat converted to raw fat; rendered fat is converted to natural fat with the coefficient 1.4.

USSR Goskomstat has recently been receiving proposals that edible offals in category II and raw fat be eliminated from the fund for meat consumption. Elimination of edible offals in category II and raw fat from

calculation of per capita consumption and also the change in the methodology for calculating the fund for consumption of the population would result in the following changes:

	Per Capita Consumption of Meat and Meat Products Converted to Meat in 1988, kg		
	According to Present Method (Based on Purchases), Including Edible Offals in Categories I and II and Raw Fat	According to New Methodology (Based on Production)	
		Including Edible Offals in Categories I and II and Raw Fat	Not Including Edible Offals in Category II and Raw Fat
USSR	66	67	61
RSFSR	73	75	70
Ukrainian SSR	69	69	62
Belorussian SSR	72	73	62
Uzbek SSR	30	30	29
Kazakh SSR	68	68	61
Georgian SSR	50	50	48
Azerbaijan SSR	38	37	36
Lithuanian SSR	87	88	75
Moldavian SSR	55	57	51
Latvian SSR	85	84	76
Kirghiz SSR	48	50	46
Tajik SSR	30	29	28
Armenian SSR	53	50	46
Turkmen SSR	43	43	42
Estonian SSR	82	82	74

The composition of edible offals in categories I and II are given below for reference.

#### Edible Offals in Category I

Liver, tongue, kidneys, brain, heart, meat trimmings, diaphragm, tail of cattle, sheep, and goats, and meat slices from tongues.

#### Edible Offals in Category II

Tripe (beef and mutton), pig's stomach, kaltyk (beef, mutton, and pork), meat of the esophagus (beef, pork, and mutton), abomasum (beef and mutton), lungs (beef, pork, and mutton), cattle feet and intestines, pig's feet, cattle and pig's ears, head (cattle, pigs, and sheep), cattle lips, pig's tail, spleen (beef, pork, and mutton), cattle and pig's trachea, cattle omasum, and udder.

For areas which have health resorts of all-union importance and also for a number of major administrative centers, the annual average size of the population is calculated so as to take into account pendulum and

seasonal migration, the increase in temporary population of the area in question because of individuals coming for short periods of time on business or for other purposes.

#### Appendix 1. Procedure for Calculating the Fund for Consumption of Principal Foodstuffs

1. Inventories at the beginning of the year—total, including:

- a) on producer farms
- b) in the processing industry, wholesale trade organizations and en route
- c) in retail trade
- d) livestock and poultry in the yards of livestock procurement organizations

2. Produced during the year—total

3. Imported, including imports from abroad—total, including:

- a) from the all-union fund
- b) through interrepublic trade
- c) through kolkhoz trade

4. Total supplies for distribution (lines 1 + 2 + 3)



5. Exports, including foreign exports—total, including:

- a) delivery to the all-union fund
- b) through interrepublic trade
- c) through kolkhoz trade

6. Consumption for productive purposes on producer farms

7. Losses—total, including:

- a) in agricultural production
- b) in processing, storage, and shipment
- c) in retail trade and the food service industry
- d) losses of livestock and poultry in the yards of procurement and livestock-fattening organizations and in the meat processing industry

8. Consumption for nonfood purposes

9. Delivered from the market fund to sanatoriums and rest homes of all-union importance

10. Inventories at the end of the year—total, including:

- a) on producer farms
- b) in the processing industry, wholesale trade organizations and en route
- c) in retail trade
- d) livestock and poultry in the yards of livestock procurement organizations

11. Distribution of supplies (lines 5 + 6 + 7 + 8 + 9 + 10)

12. Fund for personal consumption of the population (line 4 - 11)

The figures on the consumption fund calculated according to the proposed method are given below in a comparison with the present practice.

**Appendix 2. Personal Consumption of the Population Calculated According to the Present and New Methodologies for 1988**

	Per Capita Consumption, kg							
	Meat and Meat Products		Milk and Dairy Products		Potatoes		Vegetables and Melons	
	Present Methodology	New Methodology	Present Methodology	New Methodology	Present Methodology	New Methodology	Present Methodology	New Methodology
USSR	66	67	356	355	99	104	101	107
RSFSR	73	75	386	389	107	117	97	97
Ukrainian SSR	69	69	367	360	122	127	125	144
Belorussian SSR	72	73	421	406	173	159	85	68
Uzbek SSR	30	30	201	193	28	28	97	123
Kazakh SSR	68	68	300	300	84	84	92	79
Georgian SSR	50	50	337	400	50	36	98	121
Azerbaijan SSR	38	37	306	317	27	35	85	126
Lithuanian SSR	87	88	441	426	143	127	84	74
Moldavian SSR	55	57	304	303	67	59	129	124
Latvian SSR	85	84	455	456	117	128	76	68
Kirghiz SSR	48	50	253	248	66	58	86	86
Tajik SSR	30	29	164	162	32	30	86	117
Armenian SSR	53	50	457	435	60	56	156	179
Turkmen SSR	43	43	208	219	24	23	109	106
Estonian SSR	82	82	478	478	109	109	82	82

**Criminal Activity in Cooperative Sector Detailed**

90UN0812A Moscow MOSKOVSKAYA PRAVDA  
in Russian 7 Jan 90 p 2

[Interview with Vladimir Fedorovich Chernyshev, sector head, CPSU MGK State and Legal Department, by Sh. Muladzhanov: "Are Business and the Law Compatible?"; time, place not given]

[Text] In our recent conversation with Vladimir Fedorovich Chernyshev, sector head, CPSU MGK [Ministry of State Cooperatives] State and Legal Department (published in MOSKOVSKAYA PRAVDA 2 December 1989), the topic of crime in the cooperatives and around this growing sphere was touched upon only in general terms. Recent events, and the readers' insistent requests force us to return to the conversation for a more detailed talk.

[Chernyshev] Before concentrating on the legal aspect of the development of the cooperative movement, I would all the same like to sketch for you the general situation in this sector of the socioeconomic "front." There are now about 15,000 cooperatives registered in the capital; over two-thirds are functioning, and about 400,000 people work in them. During three quarters of last year alone, they sold goods and services worth over R3 billion, which is a level significantly higher than in 1988. On the other hand, the proportion of cooperatives in the production sector of consumption in Moscow was reduced in 1989 from 17.9 to 11.3 percent, and in the service sector, from 30.1 to 9.5 percent.

[Correspondent] There only seem to be contradictions between the indices cited, right? Cooperatives are more frequently selling not their own production, but something that has already been produced at state enterprises. Whatever has been decided at various levels, by means of being middlemen in some form or another, the cooperative movement is more actively squeezing out those who are trying to offer the city the production of their own goods, which are so necessary...

[Chernyshev] The thing is that neither the cooperatives' raw material nor technological bases has yet been granted the authorities' attention, and no motions toward improvement have been noted here. Hence the distortions in the development of cooperatives, and hence many forms of violations. Let us say, can a criminogenic situation in the area of realization of construction materials not be created when for the 569 construction cooperatives active in the capital there are only 11 cooperatives producing materials for their needs, and these are capable of meeting only 2-3 percent of their demands? After all, even the state enterprises of the construction industry are not sensibly supplied. Then you have a guard over the materials in extremely short supply in the Moscow home supply trade stores, but still you cannot manage to guard it. In spite of the legislation, they let it go to the cooperatives in large quantities. And they do not even do the paperwork according to the

rules. In just the five cooperatives checked in Babushkinskiy, Volgogradskiy, Gagarinskiy, and Cheremushkinskiy rayons, R500,000 worth of construction materials were detected whose purchase did not go through documentation. Nor do the businessmen in the food trade lag behind in this.

But a very plausible justification rings out in each case: The cooperatives have very few opportunities to obtain equipment, instruments, and raw materials on a legal basis. The situation with the allocation of premises is also changing very slowly. As a rule, the rayispolkoms cite the lack of available space. Yet why do they still stubbornly avoid conducting the inventory of the capital's entire non-housing space, as we proposed a long time ago? Nor is the gorispolkom making haste with this matter. Here is where convenient situations are created for extortionists. For example, last year the head of the repair and construction administration trust "MGUs-petsremstroy-montazh", and the director of the "Fruit and Vegetable" Store No. 3, Volgogradskiy ORPO [Department of Leading Party Organs] were detained upon receiving bribes in exchange for granting space...

[Correspondent] But after all, that is a drop in the bucket. Unofficial data testify to a turnover of millions in bribes on these grounds, and you have revealed 20 cases in a year. What is the reason?

[Chernyshev] There are several reasons, and they are widely known—the cooperatives' lack of desire to collaborate with the law enforcement organs, to expose extortionists; the insufficient professionalism of the BKhSS [Bureau for Combatting the Embezzlement of Socialist Property], and the passivity of other law enforcement organs.

But I would not limit this to citing direct extortion; it frequently takes hidden forms. Either officials themselves or their relatives are brought into the cooperative's staff—and a system of the greatest favor to the "team" is ensured. Abuses, forgery, and hack-work flourish abundantly in such situations. Here is just one example. The "Uzor" construction-repair cooperative was created at the Moscow pipe plant. It was headed by the chief of the repair-construction shop of that same enterprise, and it happened that his direct official responsibilities included ensuring repair of the buildings and premises, and one of the cooperative members became chief of plant supply. Can you imagine how famously they worked there?

Another version. USSR Gosstroy, in accordance with a contract with the "Agro" cooperative created under the USSR Architectural Fund, disbursed to it R45,000 for developing equipment for reinforced concrete product plants. It was the Gosstroy officials who saw to it that meeting this task cost the cooperative "only" R28,000... In fact, they did not lift a finger. And the cooperative was granted materials long since discharged to the Moscow Oblast Main Administration for Construction.

[Correspondent] It is not easy to create a cooperative, to start work. But here it is in operation. Let us suppose that everything needed is received according to the law. Which link in the further chain is the most criminogenic one?

[Chernyshev] It is difficult to distinguish, since many violations are being registered on the most disparate grounds. For example, under what sort of conditions are the cooperatives' products being produced? Frequently in unsanitary, fire-hazard conditions. "Klen" in Taganskiy Rayon contrived on its own to set up a construction storage area housing two acetylene tanks without the necessary precautionary measures. And there was a stove nearby... The result was a fire, an explosion, the death of one of those who took part in eliminating the accident. Over just three quarters, six incidents of safety equipment violation with fatal outcomes have been noted in the cooperatives.

And sometimes, the conditions in which the products are prepared... Take the "Romashka" cooperative in Leninskiy Rayon; it starts to turn out something by the name of "marmalade." Even after the most painstaking study of the recipes, you could not find in it any ingredients such as honey, syrup, food extracts, or anything else recommended by cookbooks. What was this "three-tiered something" made out of? At the moment of checking, there were on hand eggs, sugar, a kettle full of drying oil, and blueing for dyeing fabric. The prepared mass was poured through a rusty drip pan, and then the finished "product" was placed in boxes. And all of this against a background of filth and a lack of sanitation. On the other hand, the price of the "marmalade" was at the "brand-name" level—over five rubles per kilogram.

[Correspondent] We have heard various opinions regarding the prices for the cooperatives' products...

[Chernyshev] Whether we are moving toward a distributional system or a free market, the law is still in effect. The cooperatives must observe it. And there has indeed been a multitude of violations here. Inflated prices for products or services sold were revealed in one out of every six cooperatives checked by the state trade inspection, with the participation of other controlling organs. The treatment and wellness facility "LiK" in a sensational process overcharged the population by almost R900,000 over 9 months of last year, hardly a humane tariff. They sometimes do not even pity their brothers in the movement. For example, "Ira" overcharged R850,000 for the sale of "The Collection of Normative Acts and Recommendations on Matters of Creating and Organizing the Activity of Cooperatives." It is no accident that according to the data of the All-Union Center for the Study of Public Opinion, nine out of every ten polled felt that the prices for cooperative products are excessively high.

[Correspondent] It is possible to cite other information from that same source as well. Thus, 70 percent of those polled associate the higher cost of living, cheaper goods

being washed out of trade, and finally, the sharp growth in crime with the appearance of the cooperatives. On the first two positions, the viewpoint seems debatable to me. We must not take only one from the range of causes and forget the rest. But as far as the crime boom is concerned... The cooperatives have harbored ex-convicts, and the opportunity to launder "dirty" money, and a field for racketeering, and still many other things which stimulate the crisis in lawfulness.

[Chernyshev] The quantity of mercenary crimes last year doubled by comparison to 1988. And this is not only, alas, that small portion which we call disclosed. The cooperatives frequently become centers of criminal formations. Brief reports have flashed through the press that the special subdivision of Moscow criminal investigations has shut down the criminal activity of the so-called Lyubertsy and Solntsevskiy groups. On their record are about 100 crimes committed in the capital, frequently, ones in the serious categories. Some 115 members of these groups have been brought up on criminal charges. Who headed them? It turned out that Lyubertsy group was commanded by the previously convicted S. Lazarev and S. Zubritskiy, workers of the Moscow "Nika" wholesale-trade cooperative. S. Timofeyev, S. Mikhailov, V. Averin, and Ye. Lyustranov, the leaders of the Solntsevskiy group, were taken into the "Fond" cooperative, created by the Moscow cultural fund. Cultural cooperative my eye; a search turned up two pistols, three sawed-off shotguns, a grenade, and other ammunition.

Those with prior convictions of violations of the law on cooperatives frequently get cozy positions. N. Elefterov, previously convicted for offering bribes, was designated the "Olimpa" head accountant in Leninskiy Rayon. And who are his comrades? The chairman and two members of the cooperative, Baku residents, who have worked in the capital field for almost a year without a residence permit. In that same rayon, the chairman of the "Tsentr" cooperative was a "specialist" previously convicted for large-scale embezzlement.

[Correspondent] In speaking with staffers of the people's courts and arbitration, I repeatedly hear a barrage of arguments as similar as twins: The cooperatives are wrecking the fulfillment of contracts concluded with state enterprises or soviet organs. It seems that this phenomenon cannot be viewed one-sidedly. Objective difficulties, failures in the supply of raw materials, and derangements in transportation work must be taken into consideration. But all the same...

[Chernyshev] But all the same, many cases are linked to the cooperatives' aspiration to get the maximum advance, accepting circumstances obviously beyond one's strength. Among the particularly distinguished ones here the "Tekhnika" cooperative, which you know well, may be named.

For example, it concluded a contract with the Moscow power institute to develop program materials for personal computers, having designated an obviously unrealistic 3-month execution period. An elementary check revealed the veiled nature of the deal: they were speaking of the sale of imported computing equipment. The cooperative concluded analogous agreements with the Lead Information and Computing Center of the RSFSR Ministry of Consumer Services, and the Moscow Yaroslavlskaya passenger station... Through these contracts alone, the cooperative members received almost R2 million, meeting their obligations by only 96,000. And all the talk about the mythical tens of millions of rubles lost by "Tekhnika" because of the press and the financial organs is a bluff, behind which are hiding deals not backed by realistic opportunities, and attempts to make money at the expense of others. Especially interesting from this point of view are the attempts to publicly rehabilitate unsuccessful businessmen. The most recent of these—published in the December issue of the magazine ZHURNALIST—is simply amazing for its lack of any logic or objectivity.

[Correspondent] Nor is everything in order with ethics there: in accusing others of prejudice and "whipping" colleagues who have made so bold as to criticize the dealmakers, A. Mazepa's journalism does not seem to attach any significance to the fact that the "Tekhnika" cooperative serves... in the press service. I think that one may agree with it only on one count: The cooperatives who have made capital are more frequently and openly buying journalists today. Incidentally, just as they do specialists of other professions, even up to judges.

[Chernyshev] Here I would like to touch upon the topics of competence and responsibility. They are obviously lacking not only among the journalists writing about the cooperatives. And not only among the staffers of the law enforcement organs who have been a bit behind the growth rate in the criminal elements' qualifications. At times, the contracts with cooperative members are concluded on such an ignorant level that one is simply amazed: Who is working as the leader of the corresponding ministry and department subdivisions, who is heading other enterprises and institutions? And how are the banking organs exercising control over the credits they issue, for what are these credits frequently issued? You cannot always tell whether these are ignorant people making decisions or malefactors, especially when the documentation in the cooperatives themselves, in the ispolkoms, and in other institutions is at times executed at an extremely unqualified level.

And those desiring to fish in troubled waters—here they are. And here already "Alkov," created under the "Sovintsenter" association, is rushing to collaborate with one of the foreign firms and a joint enterprise with "Esttek," side-stepping the law to exchange R1 billion for \$230 million. "Tezlya" and "Volga" were limited by nonconvertible hard currency, and they attempted to receive in savings banks in a number of oblasts certificates for R23 million in clearing accounts, in order to

later convert them to cash. The ignorance of officials, the confusion—that is what takes up at least 30 percent of the expenses of the given financial and statistical organs—and that is what is exploited by the dirty dealmakers.

[Correspondent] Speaking of concrete facts, we have not touched upon here the topic of improving legislation, of rescinding a plethora of unnecessary normative acts interfering with the normal development of the cooperative movement.

[Chernyshev] There is hardly any sense in making a tongue twister out of it, against the backdrop of well-known speeches in parliament and the press, the discussion of the draft concerning the regulation of the cooperatives' activity in the capital, which, incidentally, contains a wealth of judicially ignorant positions... Let our conversation be food for thought. And for the activation of those healthy forces which must undoubtedly prevail in the sphere of cooperatives. And well, we can get back to the improvement of legal norms at the next meeting, relying on the letters from the readers of MOSKOVSKAYA PRAVDA.

#### Gosplan Light Industry Head Seeks To Improve Deliveries

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INDUSTRIYA in Russian 15 Dec 89 p 1

[Interview with L.Ye. Davletova, chairman of the USSR Gosplan State Committee for Light Industry, by I. Leshchevskiy, SOTSIALISTICHESKAYA INDUSTRIYA correspondent: "Assist, but Do Not Command"]

[Text] A little over four months ago, a great event took place in the life of the light industry workers: the Union ministry was abolished. The administrative body, which had attempted to solve problems that were too difficult and needless for it, and to direct from Moscow the way work should be done by textile workers, shoemakers and garment makers in Lithuania, Belorussia or Kazakhstan, how many pairs of trousers or boots and blouses, and precisely how many had to be produced in Vladivostok, Tiraspol or Gomel—was abolished. Instead of this ministry, the State Committee for Light Industry at USSR Gosplan was created. What will be its tasks, rights and duties?

Our correspondent I. Leshchevskiy talks about this with L.Ye. Davletova, chairman of the committee.

[Leshchevskiy] Lyudmila Yelmatovna, I quite often go to and fro past this building. Until recently, four months ago, a small plate was hanging here, "USSR Ministry of Light Industry"—even though the committee was already working. Now, while coming to see you, I met in the corridor and saw in the offices many familiar faces. These, of course, are purely external details. Is there not a deeper meaning hidden behind them, though, are things not turning out so that the new economic body will do approximately the same thing that the abolished ministry did?



[Davletova] The point is not people, but functions. Our staff is half the size of the ministry's. There are no administrations, but there are divisions. We actually took on many workers of the former ministry. They are good specialists, why reject them? The main thing is that these specialists now have quite different tasks: the committee is completely relieved of managing the routine economic activity of the enterprises.

The committee will work out plans to locate light industry enterprises on the territory of the country and achieve the proportional development of the sector in different regions. Right now we have tremendous, completely unjustified cross flows of raw material, semimanufactures and finished items from one region to another. This happens because the sector developed disproportionately, and there were many mismatches. In the RSFSR, for example, there is a mass of textile enterprises, and in the UkSSR there are few. The Ukrainian garment makers on the whole depend on supplies from Russia. Uzbekistan has a great deal of cotton, but does not have its own thread. No one wanted to build spinning mills at their enterprise, because this is unprofitable production. We must straighten out these mismatches and misalignments.

[Leshchevskiy] But this really means commanding again. You give a directive: construct a textile mill or tannery for yourselves. Moreover, now using funds taken from the republic budget.

[Davletova] No, most of these measures will be implemented through centralized capital investments or by means of State subsidies. Our task is to work out a system of economic and legal measures that would increase the interest of enterprises and the union republics in implementing the most efficient interregional supplies of raw material, semimanufactures and finished products. We would retain certain planning-regulating functions for a certain time, however. The republics will now solve many problems of material-technical supply themselves. We will have to engage in interrepublic supplies, though, in order not to permit production disruptions.

This function, though, I repeat, is temporary. It will fall away when the market appears. Our main tasks are to shape and direct the scientific-technical, investment policy, about which I have already spoken. Together with the appropriate ministries, we must organize the development of new types of raw material and materials new in principle, and prepare long-term assortment concepts.

In a word, the goal is this: to assist but not to command.

[Leshchevskiy] I believe that you will be striving toward this goal and will more or less achieve it. After all, however, enterprises can be commanded not only from Moscow, but also from Tallinn, Kishinev and Kiev. This type of commanding is even more terrible, because the Union bureaucrat, as administrative specialists are commonly called now, is far away, but one's own is right here, alongside. He can literally interfere each day in the

work of the collective. This aspiration is in the nature of an administrator. Here is a specific example. Approximately a year ago, at the request of the councils of ministers of the Estonian and Moldavian SSR's, the Union government permitted territorial industrial-trade associations, or concerns, to be set up in these republics instead of ministries of Light Industry. It is characteristic that as far back as the drafts of the appropriate decrees from the very beginning it was specified that these concerns be given the right to form a production program, to select the suppliers of raw material, materials and equipment, to distribute the cost accounting income, and to determine the conditions for wages. Take heed: to the concerns and not to the work collectives. What kind of independence for the enterprises can this indicate!

[Davletova] As far as I know, the concerns are doing a great deal of work by the old methods. They are distributing the capital investments, raw material and equipment. It is the very same bureaucratic system, except even more rampant. Representatives of the Tiraspol Cotton Combine recently came to see me. They said that they were planning to get out of the concern. True, at Kraft, in Estonia, the procedures were more democratic.

[Leshchevskiy] It turns out that Estonia has one idea of modern methods of economic activity, and Moldavia—another.

[Davletova] Yes it must be confessed that some republics have matured enough for self-government, but others have not yet, because of historical, economic and many other conditions. They must be helped, and their errors guarded against. Not only the republics—some enterprises and subsectors, for example, having gained independence, have begun to satisfy in a hurry their own, group interests and to sell scarce raw material abroad, in order to obtain currency and buy consumer goods for it. As a result, light industry is now feeling an acute shortage of fur, leather and silk cocoons. Enterprises producing fabric made of raw silk are only half-provided with raw material. Now we are seeking a way to interest agricultural workers in cooperating with light industry.

[Leshchevskiy] For this, however, the ruble must be made more attractive than, for example, pounds sterling or the dollar. This is a real task, if you are speaking about the near future.

[Davletova] Quite. Linen and perhaps finished linen fabrics, let us say, can be sold abroad, and the currency gained divided between the textile workers and the kolkhoz workers. In this case agricultural workers will receive many more of those pounds or dollars than they will from selling the fibers.

[Leshchevskiy] Let us return, Lyudmila Yelmatovna, to the independence of the enterprises. Right now, it seems to me, this is not only an economic, but also a political problem. Remember the strikes at the mines of the Kuzbass, Donetsk and Vorkuta. The miners had various

demands. Everywhere, however, one thing appeared: grant us full economic independence.

[Davletova] This is all correct. This is after all a very complicated problem, however. The USSR Supreme Soviet has now adopted the Fundamentals of Legislation for the Union of Soviet Socialist Republics and the Union Republics "On Leasing." The collectives, however, even before the Fundamentals were adopted, could lease enterprises. The matter moved forward, and indeed even now is moving forward very slowly, at least for us in light industry. On 1 December, 65 enterprises in the entire country, or only 4 percent of the total number, were working on lease contracting. Their output of goods is growing at 5.6 percent a year, while the average indicator for the sector is 2.6 percent. There is a paradox: the new method of economic activity shows great efficiency, but it is not very readily used.

[Leshchevskiy] Yes, I too have noticed a certain hidden, inner inhibition. I was at the collective of the Rabochaya Odezhda Association soon after it leased the enterprise. I found three delegations from other factories there. They went through the shops and through the engineering services. They looked and asked questions. I did not notice any great enthusiasm, though.

[Davletova] I do not think that is by chance. The commodity situation is inhibiting. The store shelves, as we know, are empty. The collectives are afraid that the crisis situation will make the directors of the central departments, against their will, "load" the enterprises with inordinate and unprofitable assignments.

[Leshchevskiy] Does not everybody really think that?

[Davletova] Not everyone. Here, though, another principle comes into action, hindering widescale distribution of lease relations. I have in mind the position of the republic ministries and local organs of authority.

As you know, 15 years ago, our country built four major worsted combines: at Tyumen, Chita, Chernogorsk in Krasnoyarsk Kray, and Kustanay. The first three collectives had great difficulty and were very slow in mastering the new production. Now they are doing indifferent work. At the Kustanay Combine, built, as they say, in the bare steppes, a good work collective was quickly formed. The people are working in three shifts, long ago exceeded the planned capacity and are putting out a high-quality product. As they say, God himself led this collective to lease the enterprise. It appealed to the Ministry of Light Industry of the Kazakh SSR. It was refused.

[Leshchevskiy] After all, though, the committee was created specifically to help enterprises in their struggle for independence.

[Davletova] We are trying to help. In this and in many other matters, even though sometimes it is difficult. Very difficult.

[Leshchevskiy] By the way, Lyudmila Yelmatovna, how did you feel about nomination to this post? How did you feel about going from Alma-Ata to Moscow?

[Davletova] To be honest, I was trembling. I thought: in Moscow there is a special type of people, in the departments and in the plants and in the factories. Then, however, I visited enterprises and the conference of the Moscow City Trade Union of Workers in the Textile and Light Industry and I calmed down. I see people—everywhere, people. Many of them understand today's situation and do not ask for nor demand things to no purpose.

[Leshchevskiy] But since you were so worried, why did you resolve to do it anyway? Your situation in the republic was, plainly speaking, an enviable one. You had followed the path from factory director to secretary of the Kazakhstan Communist Party Central Committee. As far as I know, things were going well for you. You were valued highly, and respected.

[Davletova] You know, I have one goal. For me, it is important. Formerly, we in Kazakhstan had not treated light industry with the proper respect. In reality, the republic is proud of its mines and its gigantic metallurgical plants. Here there is some sort of textile or garment mill. A clunky old mill, as other directors loved to say. Is it worth paying any attention to! I, in working for many years in the republic, succeeded in changing this attitude. I achieved quite a lot.

Here I am in Moscow, and I have this goal. I want to see that considerably larger funds are allotted to the development of light industry. Otherwise, after all, they will just say, now you have given up on the rest of the principle. Oh, it will go on for quite a while. Take just these figures. The proportion of light industry in the total volume of the country's industrial production is approximately 14 percent, the fixed capital—only 3.7 percent, and 1.5 percent of the capital investments for 1990 are to be allotted. How, under these conditions can there be a rise in the sector's prestige and in the prestige of the people who work in it. The words "weaver," "seamstress" and "shoemaker" must sound just as important as "miner," "steel worker" and "turner."

#### **Distribution Regulations For Trade Thwart Reform Effort**

904D0035A Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 8 Dec 89 p 2

[Interview with Andrey Orlov, deputy chairman of the State Committee of the USSR Council of Ministers for Economic Reform and Doctor of Economic Sciences, by SOTSIALISTICHESKAYA INDUSTRIYA correspondent L. Telen; date and place not specified]

[Text] It was only recently that we arrogantly assured the world regarding the indisputable advantages of our life style, with its characteristic features set forth in school textbooks. It goes without saying that no shortages were

included in this proud list. Meanwhile, it was prior to the beginning of the 1980's that shortages became one of the most prominent features of our life, becoming an endless race for a kilogram of sausage, a tube of toothpaste or a pair of shoes. Today, according to evaluations handed down by the All-Union Institute for Business Conditions and Demand, roughly only one tenth of the 1,000 products studied are available on a free sales basis. For each ruble there are 18 rubles' worth of "weighted" goods. This then is the background against which the economic reform is unfolding. Will the future truly be brighter and will our lives be made easier tomorrow as a result of having strengthened the consumer market? Where will the goods come from and how can the hot money be "cooled?" These and other questions were addressed during a discussion between our correspondent and the deputy chairman of the State Committee of the USSR Council of Ministers for Economic Reform and Doctor of Economic Sciences Andrey Orlov.

[Telen] Recently the press has frequently been asked not to dramatize the economic situation and to calm society. But it is my opinion that not even Kashpirovskiy, in co-authorship with Chumak, is capable of cushioning the socio-psychological shock which our compatriots have been subjected to as a result of empty shelves, the creeping growth in prices and today's galloping inflation. It is no longer possible to weaken the tension through words. Action is needed. And it comes as no surprise to note that the proposals for a limited rationing system, as expressed by Gavriil Popov and Otto Latsis, appear to be extremely attractive. Particularly in view of the fact that this system exists in a deformed state in dozens of cities throughout the country. But it exists as a result of the administrative system and its arbitrariness, which hindered the reform. Some of the more radical economists propose other variants possessing basically similar features. Ration cards and firm prices for vitally important products and goods, commercial trade based upon free prices—for all the rest. How do you evaluate this idea Andrey Vladimirovich?

[Orlov] I personally oppose the rationing system—that which has been proposed and any other type. However, the very idea expressed by these scientists does not appear to me to be wrong. Moreover, it is extremely attractive from a social and political standpoint. But the idea must still be implemented. How? With the aid of definite instruments. And I am certain that we lack such instruments and will continue to lack them in the immediate future. Let us not deceive ourselves. On the one hand, we have post-war England with its many centuries of market culture and traditional respect for the state and, on the other, a completely different situation—our country. One example. Over a period of six months, abuses associated with the sale of deficit products were uncovered at one out of every three trade enterprises. Where there are distorted trade operations, a lack of personnel and shady economics, it is simply naive and even dangerous to entertain hopes that ration cards will truly protect the weak.

[Telen] What will happen then? In the worst situation, we will receive ration cards but not the goods.

[Orlov] Not only ration cards but also new businessmen associated with the cards, who live off the deficits, and together with them and a system of machinations there will be a new outburst of economic crimes. We have already had some experience in this regard. No, I do not believe that ration cards will bring us closer to prosperity. Extensive and radical changes are needed in the economy and success is possible only if this path is followed.

[Telen] Forgive me, Andrey Vladimirovich, but we have been engaging in such changes for five years now and there has been no improvement in the situation. I fear that your appeal will not arouse irritation among the readers. Let us agree that we are not the first nor will we be the last to resolve to renew the economy. And all recall some attractive examples: Japan, the FRG, Spain and South Korea. In these and many other cases, success in the marketing of goods and services was achieved very quickly.

[Orlov] And does it not seem to you that, in commencing the reform, we deceived ourselves by embellishing our own lives? Statistics, by adroitly utilizing twofold reporting and other methods, palmed off on us reassuring figures. Let us take some common examples. In 1985, for example, we stated that the average statistical citizen of the USSR consumes 62 kilograms of meat annually. This is the coupon norm—1-2 kilograms monthly!

[Telen] Well, frankly speaking, not one of us ever believed these statistics.

[Orlov] Yet the official programs were based upon them. We commenced the reform without evaluating sensibly our initial potential, the consumption level at which we were truly located. And we should have publicly recognized the fact that, distinct from other countries which were commencing reforms, we were not even capable of providing for our country. It was impossible to skip this stage or rush to the next one. Such was the structure of our economy and such was the condition of normal commodity production: almost two thirds of our commodity production is determined by what is furnished directly or indirectly by agriculture.

[Telen] That is, in your opinion we began the reform for the wrong reason and thus it not only did not produce worthy results but in fact it produced new difficulties?

[Orlov] I believe that the reform should have started with the land and with restructuring of the attitudes towards ownership precisely in this sphere. If an owner had appeared for the land or for the farming products, we would quickly have obtained a flow of goods for the market. Only as a result of having preserved that which was developed and nurtured in the rural areas!



[Telen] I agree. It is difficult to imagine an economic system that is more wasteful than ours. It is sufficient to recall that the country is losing one and a half to two million tons of meat and importing 800,000 tons. Is this not absurd? However, spoilage, rotting and rejects are occurring not only in the field and on farms, but in fact throughout the entire chain—right up to the counters.

[Orlov] Certainly, there must be an immediate restructuring of trade together with the land reform.

[Telen] You mention restructuring and yet for all practical purposes we have no trade whatsoever. There is a distribution and redistribution based upon ration cards and coupons and limits and funds. The situation is such that those who must tolerate the shortages are the most satisfied. And this includes personnel and enterprises.

[Orlov] But you have not directed attention to one feature of this distribution system: the product of labor, in passing throughout its spheres, is ownerless. I speak of the "product of labor" because goods always have an owner. Thus trade must finally become buying and selling in all of its elements, in which the product must move from one owner to another.

[Telen] Let us then call things by their right names. Let us admit that today we have not commodity production but only an intention to move towards it.

[Orlov] I believe that there can be only one conclusion drawn from this sad fact: the third bell has been rung and it is truly dangerous to delay any longer. It was precisely for this reason that a specific program of measures was proposed during a recent scientific-practical conference on the problems associated with the reform. Both short-term and long-term measures. Importance is being attached to adopting laws, as rapidly as possible, which will change the ownership relationships and in this manner create the foundation for the economic mechanism for the transitional period. This mechanism must enter into operations during 1991 and 1992: it is expected that the reform will affect wages and prices—purchase and wholesale. A decrease in state ownership must also be implemented. A credit reform must be carried out. Over the next three years, a normalization of finances must be carried out, an anti-monopolistic program must be implemented and the consumer market must be balanced. And certainly the scale of the inflation must be disclosed. To what extent is this inflation dependent upon growth in prices and upon other factors—unsatisfied demand, emissions? Extreme importance is being attached to obtaining answers to these questions, in order that we may learn how to regulate inflation. Only then will we achieve a stable economy. In my opinion, this is a realistic program and we must commence it immediately. Perhaps it is still not too late to implement these plans.

[Telen] Perhaps. But at any moment the socio-political tension in the country is capable of crushing the theoretically correct model for the reform. And once again I

would like to direct your attention, Andrey Vladimirovich, to the store counters. Whether we wish for it or not, the government will receive a "time-out" for preparing the reform only if the hunger for products is appeased to some degree. How can this be accomplished? With the aid of ration cards? But nobody believes in them. With the aid of the land reform? But its results will not become evident until some time in the future. What is your variant?

[Orlov] I have already stated that the final solution for this task is to be found in the sphere of production rather than distribution. But we recognize that the distribution system also aggravates the deficit. And it must be corrected decisively. Not the ration cards which we have discussed but, to the contrary, destruction of the old distribution system! And just as in the past, we are distributing goods and products through a complicated multiple channel system. Special lines for invalids, those with many children and newly married couples have been legalized. Closed stores continue to operate—for example, in military garrisons and at industrial enterprises. A so-called traveling trade has appeared. Factories and plants and also institutes and offices are eliminating the conceivable and inconceivable shortages for their collectives. In our case, a store strives to interest a customer in a product, and the customer—a labor collective—strives to attract a salesman as a guest.

[Telen] I must confess, Andrey Vladimirovich, that similar to you, this system appears to me to have little promise for the future. But just mention this to any collective and they will tell you: indeed, it represents the only protection for an honest customer against a speculator.

[Orlov] A typical mistake! The ugly forms of distribution have brought forth a burst of speculation and other economic crimes. You will note that as a rule this is done under the cover of traveling trade and a favorable distribution of the deficit. So as to avoid leaving an illusion, allow me to state: speculation is taking place today in all types of goods, the sale of which is regulated.

Each new restriction only stimulates the fantasies of the speculators. Coupons were introduced for vodka in Yakutia—false coupons appeared. Sales restrictions were introduced in the Baltic region—the black market established its own price for the renting of passports with local registration.

And the chief objection. Strict regulation in the area of trade is in conflict with the very essence of the economic reform. And for a very simple reason: one uses the money earned not at his own discretion, but in accordance with the distribution system, which may or may not allow you to have a piece of the pie. Moreover, we still do not have freedom of selection and cannot expect an inverse link in the system of economic relationships.



According to computations carried out by the All-Union Institute of Business Conditions and Demand, the abolishment of coupons, special distributors and all other forms for regulating trade would produce rapid and noticeable results.

[Telen] But indeed the demand that arose in our case was quite great. And it bears mentioning that it varied according to different evaluations.

[Orlov] According to some data, it amounted to from 150 to 165 billion. But I do not believe that the task must have practical value if it is to "weigh" this demand accurately. Indeed we are unable to supply goods for current monetary income. And we can add to this the syndrome of distrust and stockjobbing, which forces people to make purchases in the absence of selection. Shady economics—its scales are generally difficult to determine. In short, the demand is such that is it prepared to absorb almost any amount of goods delivered to the market.

[Telen] And the task of cooling hot money is becoming almost the most important one for the current political moment. Moreover, it would seem that the supply should be enough to put out the fire. Recall if you will the ideas of Nikolay Shmelev. Only yesterday they aroused a storm of discussions and today they appear to be beyond question. What is your view of them?

[Orlov] Truly, the fire must be extinguished and we must not observe impassively how it burns, thus hindering the path to reform. I also favor the buying up of apartments, an increase in imports and the development of auctions and the rental industry. I believe that we must seize the initiative from shady economics in the alcoholic beverage trade. It is my opinion that people willingly invest money in bonds at a raised interest rate. We must have trust in our savings system, which has not yet been lost. In all probability, such enterprising cooperatives will be found which will resolve the buying up of preserved construction installations. Or a workshop or vegetable store. These and other similar measures would make it possible, according to estimates by specialist groups, to place tens of billions of rubles in operation.

[Telen] And what about shady capital? According to the most humble estimates, their total amount would reach 60 billion. Do we have the right not to notice them or to take into account the pressure they exert on the market? It would seem that special militia measures are powerless here. Certainly, a monetary reform can be carried out. But indeed it is known that shady businessmen cannot hold onto cash, but immediately invest it either in an endeavor or into values. How can this be?

[Orlov] The experts propose various alternatives, with the aid of which it is possible to launch an offensive against shady capital. They can be divided into two groups. A portion of them is directed towards blocking to a considerable degree the actions of shady businessmen. This includes a stern tax inspection and a mandatory declaration of internal and borrowed funds, which are

invested in production and the creation of a code for business activity. A proposal has also been made to restrict to 50,000 the inheritance of undeclared capital. And there is still one other means—a network of auditing firms operating on a commercial basis. Primarily in the cooperative sector.

[Telen] Auditing firms? This is truly news for us. Although it is known that such firms have for a long period of time monitored the health of business in economically developed countries. And as far as I know, the owners of businesses trust their diagnoses.

[Orlov] It is hoped that we will reach such a status of affairs. Formerly it was necessary to join the business culture. At first it was possible to present these firms with the right to issue for a period of one year—obviously for a payment—a certificate attesting to the purity of an enterprise's commercial operations. It provides, for example, the right to preferred bank credit and certain other financial privileges.

[Telen] In the future, these measures will hold back the income of shady economics, but they will not affect capital that has already been accumulated.

[Orlov] Yes, here other means are needed.

[Telen] Such as?

[Orlov] There are a number of methods for legalizing shady capital. It is thus possible to protect the market from unforeseen speculative operations, to remove a portion of the "black" money from circulation, to revive abandoned and unprofitable installations and even to achieve a certain foundation for new business activities. Although, certainly, all of the pluses and minuses must be thoroughly weighed when deciding upon these measures.

[Telen] Is this to say that illegal money must be employed in behalf of legal economics? Exactly what specific steps are proposed?

[Orlov] The course of the discussions by the economists was roughly as follows. Let all those who have the means available be able to purchase definite products or valuable papers at a free market. Obviously the state must in the process obtain its own profit. A payment must be established for the legalization of illegally accumulated amounts, albeit differentiated. For example, one wishes to purchase an unfinished workshop and to pay its cost in a twofold amount. One wishes to invest money in an apartment—invest five times more than the real value. There is a proposal to accelerate this process in the following manner. More favorable conditions should be made available for those who favor the legalization of capital during the first quarter of the following year than for those who wait until the end of the year. I repeat that under no condition should this process be carried out in an uncontrolled manner.

[Telen] To say the least, this is a very interesting model. But what is the situation with regard to social opinion?

The passions which flared up over cooperation are recalled. "Dirty money is laundered in the cooperatives!"—this was almost the most widespread argument against it. Moreover, the fact that "laundered" capital begins to work on society, including its more unfortunate part, is clearly being overlooked. And just as in the past, the un laundered capital enriches only the shady businessmen.

[Orlov] Certainly, the implementation of only a portion of these ideas will be difficult. Yes and who can we generally count upon for assistance. The reform will be carried out under conditions involving extreme socio-political tension. Still the strategy requires firmness. Once the decision is made to develop the cooperative sector as a free zone of our economy, there can be no retreating. Once the decision is made to normalize the finances, the program must be followed in a firm manner.

[Telen] Do you oppose compromises?

[Orlov] To the contrary, I am convinced that when implementing the reform the government must weigh the interests of the various population groups and reach agreement, even possibly to the detriment of the reform, as to the extreme steps to be taken. But I repeat, without overlooking those sectors of the economy which are the proving ground for the reform.

[Telen] If I understand you correctly, Andrey Vladimirovich, you view the future with hope, notwithstanding all of its contradictory aspects. Is this not so?

[Orlov] If this was not so, I hardly would have undertaken work on the committee for economic reform. But hope assumes a sober view of that which is taking place. I believe that we have a chance and reserves at our disposal. Let us use them.

## GOODS PRODUCTION, DISTRIBUTION

### Demand Exceeds Production of Consumer Electronics, Home Products

904D0043A Moscow KOMMERCHESKIY VESTNIK  
in Russian No 23, Dec 89 pp 44-45

[Article by V. Prokhina and Ye. Kolpenitskiy, staff workers of VNIIEKS [All-Union Scientific-Research Institute of Consumer Demand and Market Conditions]: "Everything Is in the Future"]

[Text] The shortage of many types of cultural and home goods has been greatly aggravated by the overall lack of reserves. Television sets, refrigerators, washing machines, detergents, most household chemicals, many kinds of furniture, electric flatirons, razor blades, and perfumes and cosmetics have practically disappeared from the stores.

This was caused primarily by the fact that enterprises did not meet the plans for deliveries and did not fill trade orders. And personal income rose substantially.

For example, Mintorg (Ministry of Trade) orders for refrigerators and freezers were filled by 93 percent in 1986 versus 72 percent in 1989, sewing machines by 76 and 54 percent, respectively, vacuum cleaners by 90 and 78 percent, radio receivers by 93 and 78 percent, and furniture by 90 and 86 percent.

As a result of this, reserves of cultural and household commodities that had accumulated in preceding years went on sale. So the levels of reserves for trade were reduced from a 141-day turnover at the start of 1986 to one of 90 days on 1 January 1989.

The range of durable goods that were in short supply expanded, television sets, refrigerators, electric vacuum cleaners and electric flatirons being among them. By the end of March 1989, the retail trade's stock of furniture had fallen short of the standard by 0.4 billion rubles (40 percent), carpets and carpeting products by 0.4 billion rubles (42 percent), radio goods by 0.6 billion rubles (30 percent), and electrical commodities by 0.4 billion rubles (26 percent).

In many areas durables were sold by registering in advance, with the expectation of executing the purchase in from one year to three years, as a rule. A system of distributing many commodities among enterprises and organizations was introduced, others were sold only on the open market [na vyyezdnoy torgovle]. All this intensified still more the flurry of demand, and it led to longer lines, purchases for speculation, a buildup of consumers' stocks, violations of the trade rules, and the creation of an artificial shortage.

Inflationary processes caused an increase in the sales of jewelry, the acquisition of which the public views as the most advantageous means for converting monetary income under the existing circumstances.

During 1986-1988 the sale of jewelry rose 1.4-fold—1.2-fold in 1988 alone. And this occurred when shipments increased but insignificantly. Naturally, the stocks for sale were halved, and there was a shortfall (for the first time in recent years) of 200 million rubles' worth below the standard at the end of 1988, yet at the start of the five-year plan they had exceeded the prescribed standard by 1 billion rubles. In the first half of 1989 the sale of jewelry items increased still more, by 42 percent, and the level of commodity stocks fell from a 230-day turnover on 1 July 1988 to one of 102 days on the same date in 1989.

However, the cause of the difficult situation in cultural and home goods was not just a shortage of reserves. The goods offered the public did not meet public demand in terms of variety. The variety of products available in the stores constantly decreased. Thus, according to trade-correspondent reports, the average number of radio receivers on sale fell from 18 kinds in the first half of

1987 to 9 in the first half of 1989, camera equipment from 15 to 8, wrist watches from 87 to 55, table clocks from 18 to 10, refrigerators and freezers from 14 to 11, electric lighting fixtures from 51 to 25, porcelain and faience dishes from 49 to 31, and glasses from 58 to 33.

The variety of goods fails to meet public demand mainly in brands, models, intricacy, and so on.

Among radio receivers and combination radio-tape recorders, for example, equipment of the second complexity category enjoy the greatest demand. As the results of a consumers' survey showed, almost half of the buyers planned to buy such equipment. But only 3.2 percent of those polled could do so.

The results of a survey of wholesale trade specialists also testified to the shortage of reserves of radio-receivers in the second-category of complexity. The supplies of only two models (the Ufa-201 and VEF-214) corresponded to demand in half of the wholesale enterprises. And only 13 percent of the specialists reported stocks of Ufa-201 receivers.

The variety of tape recorders does not completely meet public demand. At present the cassette type enjoys the highest demand. Customer surveys confirm this. Of all tape-recorder purchasers surveyed, 74 percent bought cassette and 26 percent noncassette recorders. Having considered this, industry is systematically increasing production of the first type and reducing output of the second.

Despite this, the variety of cassette-type recorders is narrower than that of noncassette recorders. According to trade-correspondent reports, there were, on the average, 7-8 types of noncassette tape recorders but only 5 cassette types on sale in the first half of 1989.

The vigorous development of demand for cassette tape recorders has led, naturally, to a great demand for cassettes. However, supplies thereof are meager. And if steps are not taken to greatly increase the retail inventory of compact cassettes, this can cause a reduction in tape-recorder sales.

Buyers are greatly interested also in other types of sound-reproduction equipment: recordplayers and phonographs. Therefore, phonograph records are popular. Yet, the variety thereof does not always meet customer requirements. Trade specialists note that there is a shortage of phonograph records with recordings of modern Soviet and foreign popular music, as well as study programs. At the same time, there is an abundance of popular music of the past, folk music, romantic music, poetry, prose and drama.

As for the nature of the sound, there is a greater demand for stereophonic than for monophonic records. Every trade specialist surveyed reported shortages of supplies of the first.

As before, a major problem in satisfying public demand is the low quality of cultural and household goods and

goods for everyday purposes. In 1988, 19 percent of the total number of television sets, 20 percent of the washing machines, 14 percent of the furniture, 17 percent of the refrigerators, and 23 percent of the radio receivers tested by quality-control inspectors of the Union-republic trade ministries were defective.

In the first quarter of 1989, the share of furniture, dishes, radios, camera equipment, mopeds and bicycles, and musical goods reported defective by wholesale bases was reduced somewhat. But this does not at all mean that commodity quality had improved. The fact is that state trade inspectorates and wholesale bases, in the face of shortages, not only checked fewer goods but also performed inspections of lower quality.

For example, about 9 percent of the refrigerators that arrived in the first quarter of 1989 were checked, while 29 percent were checked in the first quarter of 1985, and the figures were, respectively, 12 and 23 percent for washing machines, 13 and 27 percent for metal containers, 3 and 17 percent for radios, 28 and 41 percent for motorcycles and motor scooters, and 17 and 31 percent for bicycles.

Since commodity-quality checks are made selectively, poor-quality goods get into the market, are sold to the public and, later, are exchanged or repaired. The share of intricate household equipment for which repair is guaranteed in the total amount of production thereof is quite substantial. In 1988 it was 20 percent for television sets, 13 percent for tape recorders, and 5-6 percent for radios, refrigerators and washing machines.

The results of a survey of trade specialists testifies to the low quality of various types of radio equipment that have been arriving in the trade network. They noted that there is no change for the better. This is especially true of the Ufa, Merkuriy, Okean and Meridian radios and the VEF-260 and Oreanda type combination radio-tape recorders.

Major complaints are also being made about the quality of tape recorders. Such products as the Issyk-Kul 101s, Sonata-216, Belarus-302, Vesna-205, Kometa-212, Skif-310 and Ilet-110 have substantial production defects.

Production of the most important durables in 1989 should have increased by almost 13-14 percent over 1988, according to the prescribed goals. However, the year is coming to an end, and the stores, as before, are half empty. Perhaps the situation will change in 1990, when, according to the plan, the output of washing machines should increase over 1989 by 34 percent, sewing machines by 22 percent, electric vacuum cleaners by 40 percent, and furniture by 12 percent. It will change if enterprises cope with their missions. But are they ready for this? The results of interrepublic trade fairs still have not given an affirmative answer. Everything is up to the future.

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### **UkSSR Deputy Chairman on Conversion, Consumer Market**

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9 Jan 90 p 2

[Interview with V.G. Urchukin, deputy chairman of the UkSSR Council of Ministers, by A. Maliyenko: "What Does Conversion Promise?"

[Text] One of the subjects of the present time, unfortunately, is that of the depressing empty spaces on the store shelves. The coming year, which has assumed this unhappy "heritage," nevertheless brings some hope for the overcoming of the shortage of a number of consumer goods in connection with the reprofiling of enterprises of defense sectors for the production of peaceable output. There are hundreds of such enterprises in our republic alone and they can do much to satisfy the market.

How justified are these expectations? Will it be possible with the help of conversion to keep up with the growing consumer demand? The correspondent of PRAVDA UKRAINY asked V.G. Urchukin, deputy chairman of the UkSSR Council of Ministers, about this.

[Maliyenko] Viktor Grigoryevich! With what goods will the defense enterprises please consumers in the near future?

[Urchukin] Conversion will make it possible to increase the output of consumer goods in the current year by 1.15 billion rubles in comparison with last year. Such rates of growth must be maintained through 1995, and over the next 5 years the volume of production of such goods at the enterprises of the defense complex will increase by more than 80 percent. The emphasis is on the creation of science-intensive products, that is, those whose main value is improved consumers' quality.

More specifically? Such output of defense plants will include, for example, microwave ovens, video recorders, up-to-date personal computers, telefaxes and the means of satellite communication. It is not a simple matter, of course, to organize the production of complex equipment. It is for this reason that many enterprises are combining their efforts. Thus, 34 of them formed a joint-stock association for the production of personal computers. Last month the joint-stock association Ukrtelekom was also established. It will produce the means of satellite communications and cable television.

[Maliyenko] Certainly satellite communications and cable television is an important matter. But now it is not easy to buy even a television. There is also an acute shortage of washing machines and other things needed in everyday life.

[Urchukin] Precisely the increased production of complex domestic appliances has become the main direction of conversion. And not only defense enterprises are participating in this work but also machine building plants involved in the production of military equipment. There are therefore possibilities to fill the counters with

goods that are now scarce. To compare: whereas last year 2,440,000 color televisions were produced, there will be 110,000 more coming off the conveyors this year and there will be a significant improvement of the quality of all models. Correspondingly, the production of electric vacuum cleaners will increase by 40,000 over last year's volume of 990,000. There will be an especially large increase in the output of washing machines, which will exceed 300,000. Their production will exceed that of last year by a factor of 1.5.

In the next 2 or 3 years, the market will be saturated with traditional consumer goods. The transition to economic methods of management and the raising of the responsibility of enterprises to the society presuppose the development of company trade to study the demand and react to changes in that demand in a timely manner.

[Maliyenko] Despite the absolute shortages, today demand is guaranteed only for high-quality goods. Inasmuch as the transition from one kind of output to another is a very complex matter, are not the collectives forgetting about having new products meet all current requirements?

[Urchukin] No difficulties ought to hide the main condition—the fact that output must be competitive in the domestic as well as the world market. This is the essence of conversion.

How can this objective be reached? It is necessary above all to raise the technological level of production. This process can be accelerated through the establishment of joint ventures, which is already widely practiced. By the way, the cooperation of our defense associations with foreign enterprises and firms is a quite new phenomenon.

A fundamental reversal in the science of defense branches, the UkSSR Academy of Sciences and VUZ's toward the resolution of social problems is also foreseen. It is important to achieve the specific application of the results of fundamental research and basic new ideas in creating products in greater demand. And it is necessary from the very first steps to rely on domestic developments, improving rather than copying the qualities of foreign models, for these goods will not be competitive in the world market even in the most successful copying of products.

Still another very important task is that of reducing the time from the development to the series production of goods. I will present an example confirming that this really can be achieved even under our conditions. It was as recently as April 1989 that the associations Dneprovskiy Machine Building Plant imeni Lenin and Oktava were given the task of organizing the production of microwave ovens and on the basis of their efforts a test batch of these novelties has already been prepared for the women of the house. Next year 10,000 of them will be issued and after 5 years production will increase to 250,000.



[Maliyenko] The reprofiling of enterprises is intended not only for products in mass demand. What other kinds of necessary output are now being assimilated in production thanks to conversion?

[Urchukin] The enterprises of the defense complex are also oriented toward the manufacture of the most up-to-date medical equipment. For example, the Kiev scientific production association Saturn produces cryogenic medical equipment, the Dneprovskiy Machine Building Plant makes devices for the breaking of stones in kidneys using ultrasound, and the Kiev "Rele i avtomatika" Production Association deals with computer tomographs.

We are also seeing an increase in deliveries of equipment for processing branches of the agro-industrial complex. Last year, for example, the machine builders in Melitopol readied 19 lines for the bottling of baby food. This year 51 such lines will be set up, 15 of which will be for our republic.

It must be acknowledged, however, that the efforts in the production of equipment for the food industry, especially equipment for the packaging and bagging of food products, are still inadequate.

[Maliyenko] Viktor Grigoryevich! Apparently the enterprises that are assimilating peaceful output cannot count on an easy time, for they are also experiencing the difficulties typical of all of our economy.

[Urchukin] These enterprises do indeed have many problems. This is true above all in regard to their provision with raw materials, supplies and finishing products. Allow me to say that our wholesale trade is in the stage of "stone-age barter," which only slows down conversion. For this reason, the main territorial administrations of the republic's Gosnab must actively assist in providing the defense complex with everything that it needs for the production of civilian output.

The reprofiling of the enterprises is also linked with the reconstruction and modernization of production. There are unique difficulties here: it is not easy to find the means for the financing of this work and to place the corresponding order in the construction organization.

There are also problems of another kind. As you know, the rigid taxation of the increase in the wage fund does not extend to the collectives issuing finished consumer goods. But the system in question does not permit those manufacturing completing products and materials for such finished goods to increase the volumes of production. So it turns out that the enterprises that assemble products are in a more favorable position than their partners that supply subassemblies and components. For this reason, the collectives that issue final output plan an increase of 20 to 30 percent, whereas their suppliers try to maintain the volume of production at the previous level. Accordingly, it is necessary to give all subcontractors equal rights. It was with such a proposal that I (and not just I) turned to the author of the innovation in

question, deputy chairman of the USSR Council of Ministers L.I. Abalkin. An optimum decision has not yet been made in this connection.

For conversion to yield real results, it is necessary to be more purposeful and systematic this year in the establishment of joint ventures. Selling in the domestic and international markets also requires a reduction of the production cost of the manufacture of output and an improvement of its quality. It is necessary to find new forms of horizontal coordination of enterprises. Successes in the saturation of the market with goods will depend to a critical degree upon interdependence and teamwork in the actions of all enterprises involved in the production of some output or other.

## HOUSING, PERSONAL SERVICES

### Apartment Ownership Program Ineffective

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VESTNIK in Russian No 2, Jan 90 pp 6-7

[Article by Lyubova Ulyanova, PRAVITELSTVENNY VESTNIK correspondent: "The Purchase of an Apartment"]

[Text] I recently decided to purchase an apartment and looked closely at my own. I like the home in which I live and my neighbors. Yes and knowledgeable people maintain that the investing of funds in real estate is very profitable.

Having carefully read the decree of the USSR Council of Ministers entitled "On the Sale of Apartments To Citizens, As Private Property, in Buildings of the State and Public Housing Fund," I drew the conclusion that I must begin with the serious institute which owns the home in which I live.

As yet, nobody has purchased similar real estate from this serious institute and thus my initiative aroused lively interest in the housing department, interest which was rapidly replaced however by departmental interest. I was told quite firmly:

### A Decree Is Not an Order for Us

And they added—the advice of a lawyer is needed in order to clear up this question. They recommended that I call over the telephone again in a week's time. Following my timid request to consult somewhat more rapidly, I was politely informed that serious people work in this institute, individuals who have serious concerns and further that an apartment is not a pair of shoes and cannot be purchased in just two days time.

An apartment is truly not a pair of shoes and yet the psychology of a typical customer, one who is accustomed to ask initially who was the last person to use it and thereafter to learn "how much it will cost," was in operation at this point. Having joined the line of those waiting for an apartment at the serious institute, I

hurried to place a phone call to the rayon production repair and operations association. There was one question—when would it be possible to clarify the details of the purchase and sales arrangements and the number of offices I would have to visit in this regard. Having learned that I live in a departmental home, my visit to the PREO [rayonnoye proizvodstvennoye remontno-ekspluatatsionnoye ob'yedineniye; rayon production repair and operations association] was delayed in a decisive manner until such time as the serious institute consented to the sale. I was unable to ask any more questions—the telephone receiver, in the manner of a good door lock, suddenly clicked shut.

It is always tiresome to have to stand in line, even if you are standing alone and are aware that time is available and you are the only one who can purchase your apartment. Once again a reference was made to a lack of time in the housing department of the serious institute and it was recommended that another attempt be made in a week's time. It was as though they were protecting their own working time against outside influences just as reliably as was the departmental housing.

Having exhausted my opportunities as a private individual, I went to Glavmoszhiluchet in the capacity of an official person: I wished to learn just how effective the well known decree was in connection with the sale of apartments to the population. I was informed by the deputy chief Tatyana Petrovna Sevastyanova that the document adopted on 2 December 1988 was placed in operation for all practical purposes only the following summer and then not with particular success.

During the first six months, for example, according to data supplied by Goskomstat [State Committee on Statistics], not one apartment was sold in eight union republics (including the RSFSR). In the Kirghiz SSR, only 13 were sold for an overall total of 27,000 rubles and in the Lithuanian SSR—25 (overall cost 167,600 rubles). I could only guess regarding some of the reasons for this sluggishness in the "apartment market": although my commercial enterprise had only just begun, it came to a stop, just as an elevator, on the very first floor.

It bears mentioning: the decree stipulated that the opportunity for citizens to acquire apartments in buildings of the state and public fund, in the form of private ownership, plays an important role in solving the housing problem. It will promote a thrifty attitude towards housing and improve its durability, the ability to retain personnel and the labor activity of the population. Moreover, one family is authorized to occupy only one apartment or individual home. It was established that funds received from the sale to citizens of apartments in buildings erected by means of state capital investments will be added to the local budget for developing the social sphere. In the case of homes built by enterprises and organizations, the funds will be added to the funds for social development of these enterprises—for the construction and repair of housing.

The decree of the USSR Council of Ministers was basic in nature and required an appropriate statute on the sale of apartments to citizens as private property and on payment for the expenditures required for their maintenance and repair. Such statutes must be developed by the union republic councils of ministers jointly with the trade union organs.

Unfortunately, this development has been dragged out somewhat. For example, the RSFSR Council of Ministers approved its statute only in April of last year.

#### **It Reached the Immediate Executive Agents Even Later**

Tatyana Petrovna showed this document to me—heavy as a slab of concrete. It contained approximately 40 pages of text, supplemented by multiple-stage formulas and equations, with two dozen different coefficients taken into account. The mathematical basis of the sale of apartments can be understood only by a consumer with an appropriate scientific degree. However, other logical riddles existed which a mere mortal is unable to solve in the absence of advice.

The statute for Moscow was developed at MoszhilNI-Iproyekt and its leading scientific worker, Candidate of Economic Sciences Ye.Ya. Sokov, introduced a certain amount of clarity. I learned from the statute that the "cost of the apartments sold is determined based upon the estimated value with the residual value taken into account. Even simpler: when evaluating an apartment, its former cost minus wear and tear is taken into account. Moreover, as Yelena Yakovlevna stated, "there are still many consumer qualities which are of interest to the purchaser." This includes the presence in the building of an elevator and refuse chute, the number of built-in cabinets in an apartment, mezzanines, sanitary units, baths, loggias, balconies, the thickness of walls and the height of ceilings. There are also so-called external "qualities." For example, if a building is located near the subway, the apartment will cost more and if it is close to a railroad—it will be cheaper.

Of equal importance is the age of the building. This is used to determine the degree of housing wear and tear. This is why the price for an apartment in the inhabited quarters of Moscow's center is considerably lower than in a region of new construction projects in the suburbs of the capital. Although it seems to me that more reliable construction work was carried out following the war than that being carried out prior to perestroika.

"In science," concluded Yelena Yakovlevna, "we are interested in the fact that an individual, when acquiring an apartment, considers not only that it is easier to purchase products in the center, but also that it is more difficult to breathe there owing to a high degree of gas-pollution."

Both in science and life, conditions will nevertheless be better if both in the center and in the outskirts there are greater quantities of good sausage and very little exhaust gases. In all probability, with the passage of time we will

learn, similar to the inhabitants of other European capitals, to value housing in suburban areas. Obviously however, this will happen only when private automobiles become accessible and trade, municipal and other useful services for the population—an occupation that is "acceptable in all respects." As yet, many coefficients in the "purchase and sales" formulas are employed mainly in strict conformity with the laws of mathematics and subsequently—with the laws of logic.

Acquired housing—although private property, is still a part of a state or public home in which our neighbors live, neighbors who have still not purchased their own apartments and perhaps never intend to do so. Thus the state will, just as in the past, allocate certain funds for maintaining the home: for repair work (current and capital), for cleaning the staircases and yards and for landscaping. This will all be free of charge for your neighboring tenants and yet you, as an owner, will now have to pay for the maintenance of the home and for the work of a yard-keeper.

The computations for the technical servicing of apartments were worked out in Glavmoszhilnzh and actual living space was selected as the reference point. Even when determining the services of a yard-keeper or maid, any sweeper can confirm the simple truth that three tenants from a one-room apartment bring in an average of three times more dirt on their boots than one tenant from a three-room apartment.

"And what if a yard-keeper does a poor job of cleaning the sidewalk?" I asked the deputy chief of the Planning Department Ye.M. Medvedeva.

"The owner of an apartment can appeal to the REU in order to confirm this fact and have a recomputation carried out."

"And if the fact is not confirmed by the REU?"

"Then with the consent of the tenant, a definite sector of the yard or street is withdrawn in conformity with the size of his apartment and thereafter he will tend it at a convenient time."

If the owner of an apartment so desires, he can take advantage of many opportunities for self-service: landscaping the yard or climbing to the 15th floor and bringing down a pail of refuse for the city dump. In such instances, he pays little or nothing for technical services. Meanwhile, it is as noticeable as a cold battery in the dead of winter.

Here is an example drawn from the computations by Ye.M. Medvedeva. The services for a two-room apartment with 53 square meters of living space, located on the 11th floor of a 16-floor building, will cost its three tenants 20 rubles and 79 kopecks, or 15 rubles higher than the monthly rent for the apartment. More precisely—this is less the payments for heating, water, sewerage, electric power and others.

"Yes, once having purchased an apartment, they pay more by a factor of four," confirmed Yelena Mikhaylovna, when I expressed doubt over the accuracy of the computations. "And what troubles you?"

"I am disturbed over the fact that an individual, after having spent several thousand rubles for an apartment, is subsequently required to pay considerably more each month than he did prior to the purchase. Did you purchase your apartment under such an arrangement?"

"Never!" exclaimed Yelena Mikhaylovna, "And you, I believe, will not do this!"

I did not begin to acquaint Yelena Mikhaylovna with my personal plans since, following that which I heard, I finally understood that the purchasing of an apartment is ranked among those trade transactions which, as the saying goes, is very expensive for an individual.

In order to learn for whom these are very "expensive," I went to the PREO for Leningradskiy Rayon where, as it turned out, more apartments had been sold than in other rayons of Moscow.

"How many?"

"Three"

I will not conceal the fact that this figure surprised me and thereafter engineer Yu.Ye. Zakon hurriedly added that there were 127 more applications under review and that the executive committee had already handed down a decision calling for the sale of 38 apartments.

If I had acquired housing in Leningradskiy Rayon, then in all probability I would have been the youngest purchaser: the desire to purchase an apartment was expressed mainly by people of advanced age (one purchaser was even born in the last century). But like many others, he had not been to the PREO: it is difficult for these elderly persons to fill out the many forms and the work is completed faster if it is done by their children, grandchildren, relatives or friends. One can readily understand why, as a rule, their last will and testimony is prepared at the same time as the document.

The documents and the age of the purchasers tell a great deal, particularly why the apartment is being acquired: so that it is not lost following the death of the tenant—but rather it remains for the children, grandchildren or concerned friends, who (service for service) promise to bury the deceased in a decent manner. The reasons are generally understandable. But here is one important consideration (it was the focus of attention at Glavmoszhiluchet and the PREO): the housing, following the death of the owner, again in the form of private property, is transferred over in the majority of instances (based upon the last wills and testimonies) to persons who enjoy reasonably good living conditions. These individuals have respectable and spacious apartments in which there is adequate space for their children and grandchildren.

It bears mentioning that apartments acquired in this manner will not promote, as expected, a "solution for the housing problem." This fact is borne in mind by the PREO workers and the members of executive committees who, after learning of the housing conditions of the future heirs of a potential apartment tenant, quite often reject his application to acquire housing as private property. You will agree that there is some logic here: first of all, the apartments must be obtained (or purchased) by those who are in dire need and who stood on lines for years and not for a pink-faced heir who sucks on a pacifier in a baby carriage.

In order to ensure that each person has housing, one and a half times more apartments must be built than are available at the present time. This is a large number. Therefore the task of attracting funds from the population for the erection of housing is beyond any doubt considered to be a very promising and profitable undertaking. In Moscow Oblast, for example, one out of every five persons on the waiting list wishes to and is able to acquire housing at his own expense. But the remaining four do not wish to or are unable to do so. You will scarcely find an individual who, after being given an order for a new apartment free of charge, suddenly decides to spend several thousand rubles for it. Obviously, housing will be purchased by those who lack the patience to stand in line and have the money which precludes the need for their standing in line. Where is there any social fairness here? And still apartments are being acquired by elderly pensioners for their well-to-do heirs. And thus nobody can furnish a guarantee that after a definite period of time they will not be moved by a desire to sell their real estate property. Obviously, at contractual prices.

And the prices for "technical services" are such as to make one think. In the Leningrad rayon PREO, for example, in advance and in the interest of avoiding conflicts and aware of the industry displayed by the yard keepers here, the decision was made to drop 3 percent from the cost of their services in the contracts with apartment owners.

I will not argue the point: the maintenance of homes is extremely expensive. In 1988, according to data supplied by the USSR Ministry of Finance, the expenses for operations and for the capital repair of the state housing fund amounted to 11.02 billion rubles and the income—4.22 billion, including apartment payments of 2.17 billion rubles. But, honestly, I cannot understand how one apartment owner in a huge multiple-story building can promote a "thrifty attitude towards housing" if all of his remaining neighbors (apartment tenants) are not interested in such "promotion": just as in the past, this will be done for them by the state.

The sale of housing should obviously commence with the sale of small 2-4 apartment buildings. The overall area of such buildings throughout the country is 500 million square meters, or roughly 20 percent of the overall

housing fund volume. Good! The balance value is comparatively low and if sales are still carried out on a favorable basis and to families of moderate means, then the people will in all probability respond in kind. Here we have a twofold advantage: it is easier for an individual to feel that he is the owner in a small home than in a high tower and it is easier to reach agreement with one's neighbors as to when and what repairs should be carried out and how many benches should be installed in the yard.

"We believe that a need exists for changing the methods of approach for selling state apartments as private property"—such was a statement contained in a governmental report delivered during the 2d USSR Congress of People's Deputies. As is known, such a system is already in existence but it is not in widespread use. The fact of the matter is that:

#### **The System for the Sale of Housing Is Clearly Disorganized and in Need of Correction.**

When the decree is placed in operation, then and only then will the population and the state realize any advantage.

It is gratifying to note that attempts are already being made to change the methods of approach. This past autumn, for example, in Novocheboksarsk, a portion of an apartment building was sold at auction. As usually happens at auctions, the prices turned out to be higher than the initial ones: a one-room apartment cost 20,000 rubles. Thus the local budget was increased noticeably. For comparison: only approximately 300,000 rubles were realized from the sale of 69 apartments in Moscow.

A fine decision was handed down recently: to single out in the design for cities sectors for the construction of private homes. Some scientist-economists have proposed that all apartments of the state housing fund be turned over or sold to citizens as private property: to families of moderate means—free of charge—and to the remaining families—with payment for the complete or partial cost depending upon the family's income level. A proposal is at hand for presenting free governmental housing in keeping with the limits for the social norm for housing support, as guaranteed by society and which is the same for all of its members. And beyond the limits of this norm, housing is procured by means of private funds. Other scientists are recommending that the presentation of housing space be made directly dependent upon income. For example, an apartment can only be purchased if one member of a family has an income of not less than 150-200 rubles monthly.

In late December, during a meeting of the Presidium of the USSR Council of Ministers, the question of the sale of apartments to the population was discussed. Many of the speakers declined to accept the recommendation to sell 10 percent of the apartments in newly constructed buildings to citizens: this would place a restriction upon those who do not have the money needed for acquiring



an apartment. Recommendations were made for authorizing the sale of apartments in dwellings built over and above the plan: this would be good but for the fact that we have very few such dwellings. In order to interest the repair and construction organizations in modernizing dwellings intended for sale, the proposal was made to include this work in domestic services for the population. The decision was made during this meeting to study very carefully the entire complex of questions associated in particular with the sale of apartments as private property and to submit it for separate review. There have been many proposals—and they have been varied and by no means indisputable. Moreover, many have been unacceptable given this present stage in realization of the housing program. The problem is not so much economic as it is social and psychological in nature. Entire generations have grown up with the thought that housing in our society is made available free of charge. Thus any proposal to purchase an apartment in which an individual has lived for many years in all probability will be perceived by that individual as being absurd and aimed at undermining his personal and, it follows, national well-being.

There are 40 million individuals waiting for housing throughout the country. To make the purchasing of an apartment mandatory and extremely expensive for them, even taking into account the fact that a majority of their fellow citizens were assigned their apartments completely free of charge at one time, is also impossible. This is why a need exists at the present time for clearly

defining the interrelationships in the forms for housing ownership, including the forms for housing payments and free housing. And taking into account the present housing difficulties and also the peculiarities of the social system, we must obviously rely upon private and cooperative construction and the development primarily of these forms of housing ownership. It goes without saying that appropriate logistical support will be required: from brick and cement to the bell at the entrance door. Construction can be carried out to suit any taste—the government has abolished all of the unjustified limitations and the amount of credit has been increased from 3,000 to 20,000 rubles in a city to 50,000 rubles in rural areas.

It is believed that improvements are also being realized in the sale of apartments for private ownership. In all probability, such sales will be made more simple in nature and they will be completed not in four months, as is the case at the present time, but rather in a more rapid manner. Perhaps more common sense and less heartless pseudo-science will appear in some of the purchase and sales statutes. Housing will then become available not only for the old residents but also for new settlers.

As regards myself, genuinely serious people work in the serious institute which owns the dwelling in which I live—up until now, they have been solving my problem: an apartment, unlike shoes, cannot be purchased within a period of two months. Yes and I am in no hurry.

## ELECTRIC POWER GENERATION

### 1957 Nuclear Accident Cleanup Lessons for Chernobyl

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[Article by R. Fedorov, PRAVDA special correspondent, Chelyabinsk Oblast: "An Atomic Reservation"]

[Text]

#### Altogether Secret

"Eyewitnesses" have related details that defy description. For example, of two-headed fish which they have supposedly caught in the contaminated radioactive lakes. The accounts—more accurately, yarns—of this kind evoke a smile. First, because of the human psychology: being party to a secret engenders in some people an ability for irrepressible fantasizing. In others....

Fish breeders following the early fish development from roe to fry sometimes observe deformities of various kinds, including two-headed creatures in the larval stage. They soon die. Their occurrence has nothing to do with the atomic era at all. Peter I collected deformed creatures of this kind in his display of curiosities. "Siamese twins" have been known since still more ancient times. It is well-known that they can survive only in human society thanks to the charity of those around them. Nature is not always charitable. A.S. Pushkin found a very accurate descriptive name for it: "indifferent nature."

The 30-year-old secret is no longer a secret. Indeed, the radioactive "traces" of the accident to a container containing radioactive waste that occurred on 29 September 1957 was not a secret because its results were especially disastrous, but only because they "exposed" the industrial reactor where plutonium was being manufactured for atomic bombs. That reactor has recently been disassembled, in fact in the presence of American specialist-observers.

There were no casualties from the discharge. It fortunately affected uninhabited places. The one-time doses of irradiation were not hazardous for the health of the inhabitants of those villages that were in the zone of the discharge. But the soil and bodies of water and the forest and grass growing there became "dirty." That is why several villages with a total population of about 10,000 persons had to be moved to new sites.

In the mixture of radioactive isotopes that fell, short-lived isotopes with a half-life of about 2-3 years comprised 90 percent. There has, of course, been no danger from them for a long time. By 1978, economic activity had been resumed over 80 percent of what had been the radioactive "track." A reservation was created on the remainder.

This past September it was visited by a delegation of Japanese journalists reporting on the problems of atomic

energy in their newspapers, who had come to our country on invitation of the Soviet Committee for Protection of the Peace. When the guests entered the reservation, they unfailingly wanted to photograph the guardhouse and barrier across the road.

"We expected to see a warning sign: Caution—radiation. What we did see was a sign that was altogether unexpected: Caution—ticks!"

The ixodid tick—the carrier of encephalitis—has reproduced here in large numbers. Yet one must not think that radiation has anything to do with this. It is simply that the elk feel at home on the reservation. And where there are many elk, you will also find ticks.

But the main thing is not that there are a great many elk. It is important that they are healthy, they feel normal, and they bear young. Not only elk, but also other inhabitants of the reservation are typical of these parts. Its landscape, flora, and fauna, do not in general differ from those around in any respect. With the sole exception that rare species are preserved more easily on the reservation.

Yet.... It is well-known that radioactive irradiation causes mutations—slight and stable disruptions of the structure of the inherited substance resulting in distinguishing new characteristics in the organism. This, incidentally, is taken advantage of by selectionists. And, if we go back to the question of the "two-headed fish," it has been speculatively assumed from a distance that in an atomic reservation one might quite possibly encounter some sort of wondrous mutant forms of grasses, insects, or some other representatives of the living world.

Scientists organized work here almost immediately after the radioactive discharge. In 1958, an experimental research station was created. It was set two tasks from the very outset. First, a practical task: to find ways of sharply reducing the radioactive contamination of the locality and methods of returning the land to economic use. Second.... An accident involving radioactive discharge is an event that is more than regrettable. But in the realm of abstract argument, if one renounces emotions, it is possible to examine what happens as though it were a broad-scale experiment in nature.

G.N. Romanov, the present director of the ONIS [Experimental Research Station], has been working here from the very beginning. He came here to take the position of a regular engineer. In 1957, he graduated from the Uralsk Polytechnical Institute, received his diploma as a process engineer for nonferrous metals, and was assigned to an enterprise here which is today called the "Mayak" Chemical Combine. The accident occurred, and after it many things had to be studied all over again. The institute did not, of course, have the disciplines to cover the extremely broad range of concerns that fell upon the land of the Urals with that ill-fated discharge. Today, Gennadiy Nikolayevich calls himself a radioecologist. He has an academic degree of candidate of engineering

sciences. From others, I have heard him referred to in flattering terms as an encyclopedist.

One circumstance that favored the latter is that major scientific manpower was recruited to study and solve the problems related to the discharge. V.M. Klechkovskiy, member of VASKhNIL, an agricultural chemist who was himself a student of D.N. Pryanishnikov, member of the academy, and a biophysicist who even earlier had studied the effect of ionizing radiation on plants, played an immense role in defining the research program. His contribution to the evolution of science at the station has consisted not only of his specific perceptions indispensable at the moment, but also his extremely broad scientific outlook and indeed his very human charm, which was typical of Russian intellectuals of the old school.

But let us go back to biology. The Chelyabinsk accident occurred in the autumn, at the end of September. The trees were losing their leaves. The insects were concealing themselves for the winter. The birds had already raised their young, and a sizable portion of them had flown off to warm regions. This circumstance, says G.N. Romanov, essentially mitigated the radiation blow that came down on nature.

That blow was very powerful in some places. The needles turned yellow on the pines, and they died. Among all the tree species, the conifers are the most sensitive to radioactive irradiation. Today, there is not even a trace of those pines that died. Young trees have grown up. Nature and forest are generic terms. The death of dozens or even hundreds of individuals—whether they be trees or wild animals—is not perceived tragically. On the whole, nature's resistance to radiation, its ability to rapidly heal wounds of this kind, G.N. Romanov notes, is proving to be very high.

As for the genetic consequences.... Apparently, the intensive irradiation affected the buds of the trees, which set in the fall. The following summer some of them showed unusually large leaves in the zone of the "track," the shoots were more vigorous than usual. On the other hand, "witch's brooms"—short and numerous twigs—grew out on others. Sometimes the color of the foliage changed.

The year 1958 passed. Genetics was still kept down. It was not possible to recruit specialists who would have been able at that time to conduct research into changes at the chromosome level and to analyze the enzyme composition. In subsequent years, the color and size of the foliage returned to the usual pattern. No departures whatsoever were observed from the norm in the animal kingdom either.

Gennadiy Nikolayevich cited only one example which is perhaps related to the effect of high radiation. Lake Uruskul is located within the "track." Today, the water in it is for all practical purposes clean. But rather high radioactivity has been preserved in the silt on the bottom. Carp live in the lake. It is categorically not recommended to catch it and use it for food: it is

precisely a bottom feeder, feeding on insect larvae that crawl about in the silt, mollusks, and water plants. So it has turned out that the carp of Lake Uruskul differs perceptibly from members of the same species from other lakes in the oblast in its high resistance, first, to freezing, and second, to radiation, as has been verified in specific experiments involving the irradiation of the fish.

Dmitriy Alekseyevich Spirin, candidate of biological sciences, who is G.N. Romanov's deputy, has specifically studied the frequency of mutations of genes occurring in pines growing in the reservation. The radiation background is high here and is effective day after day.

Mutations also occur randomly and spontaneously, although quite rarely. They occur several times more frequently in the pines of the reservation, which have been constantly exposed to irradiation. This is determined by means of biochemical methods. No one has observed any visible differences noticeable to the eye in trees grown from irradiated and unirradiated seed. But most mutations, after all, are recessive, latent. They may not appear earlier than the second generation.

Anyway.... Various grasses are growing under the pines, a multitude of species of insects are crawling in them and over them. Both have passed through more than one generation in 30 years. Biologists have not found among them any unusual forms that differ in some respect from other members of the same species from "nonatomic" places.

And also in Japan.... The Japanese journalists we have mentioned were asked: Did their impression from what they saw in the "atomic reservation" differ from what they had expected to see? Simizu Ionchi, who heads the scientific department of the newspaper MAYNITI SIMBUN, replied that they were very familiar with Hiroshima and Nagasaki, which in 1945 were subjected to atomic bombing. Over this half a century, the cities have been rebuilt, nature itself has healed its wounds. Which is why they did not expect to see any sort of effects in nature in the area of the radiation discharge that had occurred long ago.

But perhaps we have overlooked something? That is in fact why the atomic reservation exists: in order to continue the observations, to study, and to experiment.

You cannot hide a fire. The oily film on a wave in a dirty port or water as thick as jelly during the "flowering" of reservoirs along the Dnieper or Lower Volga are obvious. Radioactive "filth" is invisible, it has neither color nor smell and is therefore particularly frightening. I have heard that the Japanese are "armed" with individual dosimeters practically to a man, and they especially take them along when they visit places where the radioactivity could be higher than normal.

The delegation of Japanese journalists first drove across the area of the "track." From the borders of the reservation, where the power of the ionizing radiation is near or a bit higher than 20 microroentgens per hour (the natural

radiation background in various localities of the planet ranges from 4 up to the same figure of 20), to the axis of the former discharge, where it is still five times greater than the norm. All six members of the Japanese delegation seemed to have a dosimeter. The interest in its indications was dictated not by a fear of irradiation, but rather by curiosity. It is possible from the data today to estimate the radioactivity levels that were observed here in 1957.

The Japanese journalists met their local counterparts at Chelyabinsk. One of the Chelyabinsk journalists put to the guests a question which from my point of view was not altogether proper and was disrespectful of our specialists: Do you believe the assertions of representatives of Soviet medicine that the radioactive discharge in 1957 caused no harm to the health of the population?

"There are no grounds not to trust them," Nakamura Masao, head of the Japanese delegation, replied convincingly. This conviction was specifically based on the indications of that dosimeter.

...I suppose the Chelyabinsk journalist did not address the Japanese colleague on his own personal behalf. His question reflected the logic of any "penetrating" inhabitant who feels that if someone is keeping a secret from him, that means that they are deceiving him. But, as we have already said, everything that happened in nature in the area of the "track" had been studied, described, printed in scientific reports, and published in the pages of scientific journals. Now, the staff members of the experimental scientific research station are proposing collecting all the materials that have accumulated together, analyzing them from the positions of today's knowledge and experience, and publishing the results of the work over many years in the area of the radioactive "track" in the Eastern Urals in a single volume. The practical experience will also be summarized.

Experimental agricultural production is an integral part of the scientific research station. The farm has 4,000 hectares of plowland—it is all in an area that was originally "contaminated" by the discharge.

One of the resurrected fields stretched out on the other side of the road from the laboratory building of the research station, and its entire extent could be observed through the windows of G.N. Romanov's office. Here, Gennadiy Nikolayevich relates, there is a thick layer of chernozem. In a few years after the accident, upon cessation of the emission from the short-lived isotopes that made up the bulk of the discharge, they used a special plow to do deep plowing in the field. It turned over a layer of earth and buried its upper, "dirty" layer at the depth of half a meter. That was enough to make both the field and the harvest clean.

They pursued a different method in the 40-hectare garden plot. This is the area of the household plots of a village that was in the zone of the discharge and was evacuated. The soil here is well cared for, but the fertile layer is not very thick. In order to preserve it, they had to

work with the care of a jeweler: they took several centimeters from the surface with bulldozer blades, carried it away, and stored it in reliable disposal sites.

Simple enough, but not inexpensive. Yet the resettlement of the inhabitants of the village also involved immense expenditures, not to mention the dramatic shattering of people's destinies when they were forced to leave their native place. Would it not have been simpler to do this immediately after the discharge and at the same time decontaminate the houses and other structures?

But... Right nearby, on the other side of what had been the village fence, is the area of the "atomic reservation" which still has high radioactivity. And Gennadiy Nikolayevich in fact tells about the curious results of a study done in several villages not affected by the discharge. Yet they are located within relative proximity of the "contaminated" area, whose borders are marked by appropriate markers and signs warning not to pasture livestock here, not to take the hay or firewood, not to gather mushrooms or berries. Most of the population heeds the warnings. But some are stubborn, and, which is interesting, a constant minority—about 5 percent in each of these villages—ignores them. They covertly take firewood from the "dirty" forest, they mow grass on the "dirty" meadows.

Readings of the radioactivity of the soil in their house gardens helped to discover the violators. It turned out to be higher than the background. After all, they were fertilizing their vegetable patches with manure from their own cow and with ashes from the stove, and they retained the initial radioactivity of the hay and the firewood. So that both the milk and the vegetables could be "contaminated" on these farms. Of course, the level of ionizing radiation is no longer very high along the accessible edges of the "track." But it should not be forgotten that the irradiation that is most dangerous to the organism is not what is external, but internal.... Better not to take the risk....

Everything we have said is an illustration of how closely rural life is related to a rather large space around it. If those connections are severed, its creative meaning is lost. The thread of Romanov's reflections stretches from his own Chelyabinsk reflections to Chernobyl. What in his opinion should be the strategy in organizing the life of the rural population in places with elevated radiation and for restoring the land to economic use?

The level of contamination of particular products with radioactive isotopes should first be taken into account. The latter accumulate mostly in natural grasses, and that means in the hay and silage. Their content in the grain is approximately two orders of magnitude less. It follows, then, that the meat and especially the milk of cows will also prove to be highly contaminated if they have been fed local feeds. But then swine and chickens whose feed is made up of grain will produce a clean product. Specialized sovkhoses here operating on the area of the



"track" which has been returned to economic use turn precisely to the production of pork and poultry meat. The source of their feed is grain grown on their own plowland.

But it is considerably simpler to reorient agricultural production than to change the rural folkways. How are they to give up vegetables and potatoes from their own garden and deprive themselves of milk from their own cow? Or even the milk mushrooms gathered in the neighboring forest and salted away for the winter? At this point, one can hardly hope that an abundance of produce will be brought into the rural store. But even if it were.... How else to fill leisure time in the village, the freedom "given" from the round of chores on the farm plot around the house? Would this leisure time be a blessing?

The questions G.N. Romanov is now thinking about are no longer associated with Chelyabinsk. Here, they have mainly been resolved. As one can judge from the context of a conversation with him, Gennadiy Nikolayevich feels that the experience of Chelyabinsk has not been sufficiently taken into account at Chernobyl. The high positions and titles of the members of the government commission guarantee the weightiness of the decisions and the reliability of their execution. But—that is the way human psychology is—the closest advisers and consultants of those making the decisions quite often prove to be not the most competent people, but those who know how to "get noticed." There is an evident need to increase personal accountability for proposals that were not justified or were not effective enough.

The experience of Chelyabinsk indicates that the consequences of radioactive "contamination" can be combated rather successfully. Of course, the discharge at Chernobyl was 25 times more intense than the one at Chelyabinsk in total intensity. The matter was, of course, compounded by the fact that it affected areas populated far more densely than this area in Chelyabinsk Oblast. Chernobyl was, of course, an immense tragedy. But does it make any sense to exaggerate?

Obninsk, where the world's first nuclear power plant was built, was christened the city of the peaceful atom. Chelyabinsk-40, where quite recently an industrial reactor was shut down in the presence of American specialists after making plutonium for nuclear warheads, might have been called the city of the military atom. It took the blacksmiths of the Urals relatively little time to learn to forge the atomic weapon.

As the saying goes, let us hope it is never needed. I recall a famous sculpture by Yevgeniy Vuchetich entitled "We Are Turning Swords Into Plowshares." It contains an expressive and powerful figure of a blacksmith: in his suspended motion, there is a triumph of victory and the joy of peaceful labor.

Are the "atomic blacksmiths" triumphant today?

I was driving down the highway with Mikhail Sergeyevich Tsvetkov, Romanov's second deputy. We passed a turn onto an asphalt road that went off to one side.

"The road to the suspended construction of the Yuzhno-Uralskaya AES," Tsvetkov explained. "A wave of radiophobia rose up after Chernobyl."

Tsvetkov learned his trade on that industrial reactor itself, where he worked as a shift operator. He has discussed the accident at Chernobyl in all details with fellow members of his profession. Their opinion was unanimous and absolutely confident: nothing of the kind could have happened at Chelyabinsk. Here, the work standards are high, the operators are drilled thoroughly, until everything becomes automatic, and above all they have a precise knowledge of the processes taking place in the reactor in every operating state, and responsibility is based on that knowledge. The 1957 accident, first, occurred at a time when there was not sufficient experience of working with radioactive waste. Second, the reactor was not involved.

The reactors of nuclear power plants are fundamentally the same kind of vessels as the industrial reactor. It has been shut down and disassembled. The specialists who attended it have been left with nothing to do. They hoped that they would become the backbone of the personnel that would run the Yuzhno-Uralskaya AES, that they would manage to work there themselves and pass on their knowledge, experience, and traditions already accumulated at Chelyabinsk-40 to the young people coming to replace them. The halting of construction of the nuclear power plant has dashed that hope.

But the main thing is not even the difficulties in their personal lives, but the waste of experienced people with high qualifications bringing no use to society. Sooner or later, in the opinion of M.S. Tsvetkov, the Yuzhno-Uralskaya AES will have to be built. And if it happens later, then specialists with less experience will attend its reactors.

In the meeting between Japanese and local journalists which we have mentioned, the topic of the nuclear power plant was the main one. The conversation also touched on radiophobia—exaggerated fear of the radioactive hazard. One of the people from Chelyabinsk remarked that in essence we are ready to agree with the professionals who talk about their ability to manage the force of the atom and to keep it within safe limits. Our failure to accept nuclear power, he said, does not arise from a lack of confidence in science at all. We are afraid of sloppiness, we are afraid of specialists who are not well enough qualified.

...The conversation with Tsvetkov was also mentioned on that occasion. We are afraid of clumsy people. And at the same time we are ready to bury the ability and abundant experience of a high class of specialists—the operators of the Chelyabinsk industrial reactor who are now without work....

But let us go back to the nuclear power plant. The guests were answering questions. The people from Chelyabinsk asked: What is it like in their case? Japan is a country that experienced the tragedies of Hiroshima and Nagasaki. Everything connected to the atom—even the peaceful atom—evokes a memory of them in the population. Are they building new nuclear power plants in Japan—specifically new ones, we know about those already in operation, and what is the attitude toward them?

Yes, nuclear power plants are operating and are being built! To be sure, the process of the growth of their capacity has now slowed down. But that is because those that exist today have completely met the demand, and there are few new consumers.

How far from settlements are the Japanese nuclear power plants being built?

They must meet two requirements: They must be located in relatively sparsely settled areas and at a distance of at least 400-500 meters from settlements (a distance which evokes a smile in our country), and also on the seashore (a look at the map convinces one that this is no complicated matter for the Japanese). The high price of land in the cities also helps in meeting the first requirement.

Japan's role in the contemporary world and the place of its industrial products on the world market are well-known. The Japanese cherish both their own prestige and, of course, their prosperity. Nuclear power is one of the foundations of that.

The road from the "atomic reservation" runs to Chelyabinsk through fields past birch copses, past lakes splashing onto the green meadow that is the shore. They have an unusually smooth transition from water to land—an almost imperceptible difference in the level of the lake and the steppe.

Lakes are an amazing phenomenon of nature. They have their own particular appearance in every region. The lakes of Karelia, bordered by stiff-standing firs or red-trunked pines, reflect the blue of the sky like a mirror. The Latgal lakes, in eastern Latvia, hide between green hills and absorb their color—from afar, the smooth surface of a lake looks like a meadow.... In all lake regions, they are suffering almost identically. From industrial pollution and agricultural runoff—from the fields to which manufactured fertilizers have been carelessly applied, and from livestock operations. And everywhere—from acid rain, which is pouring down without hindrance from the sky. The lakes are beginning to flower, to silt up, to become shallow. And this is irreversible....

The nuclear power plant threatens the hazard of an accident. But the discharges from thermal electric power plants and state regional power plants are also hazardous for people, and still more for nature. A choice has to be made not between "yes" and "no," because "no" signifies the road to poverty and exposure. The choice has to

be made on the basis of what is more economical and safer for us and for nature, without which we will not exist either, what will make the country richer faster, with smaller expenditures of effort and resources.

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### Alternatives to Nuclear Power Stations Evaluated

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[Article by Doctor of Technical Sciences V.V. Yershevich and Candidate of Technical Sciences V.Ya. Peysakhovich of Energosetproyekt [All-Union State Planning, Surveying and Scientific-Research Institute of Power Systems and Electric Power Networks] under the rubric "Nuclear Power Plants": "The Role of Nuclear Power Plants in the Electric-Power Engineering of Our Country"]

[Text] Technical solutions for the development of the power-engineering complex have presupposed that the principal portion of the increase in requirements for electric power in the European regions of the country that are without new power resources will be provided by the start-up of new AES [nuclear power plant] capacity by the end of the current century.

Materials on the 12th Five-Year Plan that were published at the end of 1985 formulated the task of increasing the production of electric power at AESs by 5-7 times by the year 2000 compared to 1985. Since the capacity of our AESs was 28 million kW [kilowatts] and they generated 167 billion kWh [kilowatt-hours] of electricity in 1985, the indicated increase signified the necessity of increasing AES capacity to 140-200 million kW, and the production of electric power at them to 850-1,200 billion kWh. Many specialists felt that target to be an unrealistic one in that time period.

Public attention—and first and foremost that not connected with power engineering—toward the problem of developing power engineering, and nuclear-power engineering in particular, has become much sharper since the Chernobyl accident and especially of late, as manifested in the large number of features in the press and on the radio with criticism of the projected paths of power-engineering development.

The review of the Power-Engineering Program that is presently underway has been called upon to provide an answer to many of the questions that have accumulated, chief among which is the pace at which nuclear power should be further developed and to what consequences for the economy of our country a considerable reduction in the scale of AES construction could lead.

The All-Union Scientific and Technical Society of Power Engineers and Electrical Technicians imeni G.M. Krzhizhanovskiy [VNTOE] has conducted a poll via

questionnaires to attract the attention of power-engineering society to the problems of nuclear-power engineering and clarify its positions.

The questionnaire contained six questions, and suggested possible answers for each were provided:

1. In the face of a refusal to construct AESs in your region, by what power sources could they be replaced?

2. Do you feel it is possible to compensate for a decrease in the generation of electric power by AESs through other power sources?

3. In the event that AES production is not entirely compensated for through other power sources, what consequences would that have for the development of your region?

4. If nuclear sources of heating supply were envisaged in your region, by what heat sources could they be replaced in the event the nuclear sources are not constructed?

5. Would the movement of the construction of AESs and nuclear heat sources from your region to another be expedient—and which ones?

6. Your estimate of the possible levels of electric-power production at AESs across the country overall in the year 2000, as well as for the output of heat from nuclear sources of heating supply.

It was proposed to those being questioned to emphasize where necessary and give quantitative or qualitative evaluations of their own versions of answers.

Some 42 questionnaires were distributed in all among the republic and urban boards of the VNTOE, and 31 answers were received. An analysis of the answers (Table 1) showed that six questionnaires were not against the development of nuclear power in their regions (the Kola, Kalinin, Kursk, Rovno, Smolensk and Yaroslavl oblast boards).

Table 1

		Negative attitude toward construction		Alternative to AES construction				Alternative to construction of nuclear sources of heat					
Description	Positive attitude toward AES construction	AES	AES in own region	TES		GES and non-traditional sources	Transmission of electric power from different region	Large boilers		Electrical heating supply		TETs	
				Coal	Gas			Gas	Coal	City	Town	Gas	Coal
Number of questionnaires sent out = 42													
Replies received = 31	6	11	4	4	14	10	7	7	2	2	1	6	1
Republic VNTOE boards													
Ukrainian		+		+	+	+	+	+	+	+		+	+
Moldavian	Construction not envisaged				+								
Latvian	Construction not envisaged												
Georgian		+			+	+							
Azerbaijan	Construction halted				+	+		+					
Kazakh		+		+								+	
Turkmen	Construction not envisaged												
Kirghiz	Construction not envisaged												
Oblast VNTOE boards													
Donbass			+	+	+			+	+				
Rovno	+										+		
Khmelnitskiy		+			+	+							
Crimean		+					+						
Dnepropetrovsk			+		+	+							

Table 1 (Continued)

Description	Positive attitude toward AES construction	Negative attitude toward construction		Alternative to AES construction				Alternative to construction of nuclear sources of heat					
		AES	AES in own region	TES		GES and non-traditional sources	Transmission of electric power from different region	Large boilers		Electrical heating supply		TETs	
				Coal	Gas			Gas	Coal	City	Town	Gas	Coal
Kola	+			+	+	+							
Bashkir			+		+	+	+	+					
Chelyabinsk		Construction not envisaged				+							
Kalinin	+					+							
Leningrad		+			+	+	+	+		+		+	
Krasnodar		Construction halted											
Yaroslavl	+												
Kursk	+												
Smolensk	+												
Volgograd			+				+					+	
Voronezh		+						+					
<b>Regional power administrations and others</b>													
Gorenergo		+					+	+				+	
Kostromaenergo		+			+								
Saratovenergo		+			+							+	
Ivenergo		Nuclear heating supply											
Latvglavenergo		Construction not envisaged											
Urals Science Center		+			+								
Beloyarsk AES		Data not available											

It can be noted here that the negative effects of nuclear power sources on the environment are considerably less than organic power sources. The lack of a complete alternative to the construction of AESs in a number of regions was acknowledged. The opinion of the effectiveness of AES construction in regions where fuel is expensive by having nuclear power displace organic fuels was expressed.

A negative attitude toward the development of nuclear-power engineering was reflected in 15 questionnaires, while the rest refrained from concrete replies, but the majority of them expressed a negative attitude in additional inquiries.

The poll showed that the majority of the representatives of public opinion were against the construction of AESs in densely populated areas of the country until new-generation reactors with enhanced radiation safety are created. New versions of power supply for the regions should come under expert study for social, scientific,

technical and ecological criteria with the involvement of a broad spectrum of specialists and society.

The majority of those polled propose the construction of a KES [condensation electric power plant] or gas-fired TETs [heat and electric power plant], as well as (to a lesser extent) a GES [hydroelectric power plant] and the use of non-traditional sources, as alternative versions to the building of an AES.

The inertia of the "big" nuclear program, however, continues to keep quite high figures for AES capacity in a whole series of directive and planning documents. An article by N.F. Lukonin cited the level of AES development expected by the year 200 as 110-120 million kW (TEPLOENERGETIKA, 1988, No 12).

An analysis of the actual progression of AES capacity start-up and construction, allowing for the stance of public opinion and local bodies as well as the results of the poll, show that the total AES capacity in the USSR by



the end of the century will comprise no more than 60-70 million kW, while the production of electric power at them will not exceed 400 billion kWh, i.e. will increase by less than 2.5 times—and not 5-7 times, as was projected—versus 1985. The figure most accessible for verification—the actual start-up of AES capacity in the 12th Five-Year Plan—will comprise less than 15 million kW, i.e., will be almost three times less than the amount projected in 1986 (41 million kW).

This is now being confirmed by individual decisions that have been made aimed at cutting back the nuclear-power program. It has been decided to refrain from the construction of the Odessa and Minsk ATETs [nuclear heat and electric power plants] and the Azerbaijan and Krasnodar AESs. The Armenian AES has been taken out of operation. Design-engineering and survey work has been halted, which is pushing back the capacity start-up deadlines for the Georgian, Far Eastern, Latvian and Belorussian AESs. The rated capacity of a number of AESs has been restricted (Chernobyl, South Urals, Balakovo, Zaporozhye, Smolensk and Ignalina, among others).

The active opponents of nuclear-power engineering in our country refer frequently in their features to foreign experience, treating it as the foundation for rejecting the use of AESs.

This is an inaccurate stance, however. Differing views of nuclear power co-exist in the world today. The share of AESs in the production of electric power worldwide is growing at quite a rapid pace, from 5.4 percent in 1975 to 15 percent in 1985, and exceeding 16 percent in 1987. The share of AESs by capacity surpassed 10 percent in

1985 and 12 percent in 1987. Major AESs with a unit capacity of the power units of 1.3 million kW are operating around the world. The largest AESs are the Fukushima (Japan) at 9 million kW, the Bruce (Canada) at 6.4 million kW and the Graveline (France) at 5.5 million kW. Countries with the largest proportionate shares of electric-power generation at nuclear-power plants are France with 70 percent, Belgium with 67 percent and South Korea with 43 percent.

There are countries where demands to take operating AESs out of service immediately and refrain from them for the whole foreseeable future are widespread. A decision to reject the use of AESs has been made in Sweden. The realization of this is assumed as follows: the existing capacity of AESs (about 10 million kW) is projected to be preserved until 1995, will be reduced to 7 million kW by the year 2000, 4 million by 2005 and to zero only by the year 2010. France, on the other hand, is continuing to increase both the absolute magnitude of the capacity of its AESs, totaling more than 50 million kW, and their share of the production of electric power, which has now surpassed 70 percent. Japan, where the capacity of AESs already totals about 30 million kW, is continuing the construction of AESs despite the limitedness of the territory and the constant threat of earthquakes. The United States, with about 100 kW of nuclear capacity—about triple that of the USSR—has taken an intermediate stance. They are continuing to increase the total capacity of AESs, but insignificantly, and they are proposing to "freeze" it at the level reached in 1990. They are not, however, halting operations to improve their nuclear-power technology. A forecast of the development of nuclear-power engineering in some foreign countries is presented in Table 2.

Table 2

Year	United States	France	Japan	Sweden
1986	85.9/13	44.7/49	24.4/16.8	9.6/29.1
1987	94.4/14	49.6/50.5	26.3/16.8	9.6/29.0
1990	100/14.6	54.0/53	31.0/18.5	9.6/29.0
1995	102/14.9	61.0/57	38.5/21.3	9.6/29.0
2000	103/14.2	64.0/59	49.8/25.2	7.0/19.2
2005	103/13	67.0/61	61.0/27.7	4.0/10.9

Notes: 1. Left side is the total AES capacity in millions of kilowatts, the right side is the same in percentage terms. 2. The United States is represented by general-purpose electric-power plants.

Foreign experience thus does not provide us with any direct recipes for the development of nuclear-power engineering.

Just what alternatives to the development of nuclear-power engineering are possible?

We will try to realize just what a reduction of AES capacity by 40 million kW (from 100-110 to 60-70 kW), which corresponds to a reduction of 260 billion kWh of electricity, represents.

This quantity of electric power could theoretically be generated at thermal electric power plants.

We point out by way of comparison that the generation of electric power by all of the projected GRESs [state regional electric power plants] of the Ekibastuz Fuel and Power Complex (ETEK—4 x 4,000 MW [megawatts]) will total less than 100 billion kWh, and that of the first two Berezovka GRESs (2 x 6,400 MW) of the Kansk-Achinsk Fuel and Power Complex [KATEK] only 80 billion kWh. The additional inclusion of organic fuel on the scale of 90 million tons (fuel equivalent) into the fuel

equation of electric-power plants will be required to compensate for this reduction in the nuclear program. This corresponds roughly to the contemporary annual level of extraction of power coals in the Donetsk Basin. The additional inclusion of coal on such a scale into the equation over the 11-12 years that remain until the end of the century is unrealistic, since the plans that were adopted earlier for increasing the utilization of coal in electric-power engineering are not being fulfilled today. Furthermore, the equipment for coal-fired electric-power plants that is presently being proposed, as well as that currently operative, does not correspond to contemporary requirements in its ecological parameters.

Compensating for this reduction in AES capacity through the construction of additional hydroelectric power plants is impossible even in theory. This would require the construction of 11 hydro plants such as the Bratsk GES. Efficient locations for large-capacity GESs are lacking in the European parts of the country where compensating for the reduction in AES capacity is required, but even the proposed locations under consideration in the eastern part of the country provide no grounds for designing such a quantity of hydroelectric plants with a unit capacity close to that of the Bratsk GES. Moreover, the realization of such a program, due to the large capital investments and duration of construction, would take a great deal of time. The transmission of such a quantity of power to the European part of the country, at distances of over 4,000 km [kilometers], in the required time intervals cannot be accomplished. The negative opinion of society toward hydroelectric construction, making this variation unrealizable, should also not be left out of the accounting.

The proposals to utilize non-traditional sources of energy—wind, sun, the heat of the earth and biomass, among others—are even less realistic. The realistic capacity range of wind units in the future is 250-300 to 1,000 kW. Wind electric power plants (VES) do not have a guaranteed power resource, have a low number of hours of utilization in a year of 2,000-3,000 hours and require effectively complete redundancy, which makes them inefficient for the European part of the country. VESs also require a large taking of land, which also worsens their indicators. The widespread realization of a program of VES construction is also being restrained by the capabilities of machine building. Their share of the total capacity of electric-power plants in the country, in this regard, will not exceed 1 percent in the foreseeable future.

Of all the non-traditional sources, only tidal GESs and orbital solar electric-power plants correspond to the essential scale of production of electric power. These installations will not, however, make any appreciable contribution to the country's fuel-and-power equation in the next 20 years.

Natural gas is the sole resource able to compensate to a limited extent for the reduction in the nuclear program in the next 10-15 years. The actual situation with natural

gas is such, however, that the demand for gas among non-power-producing consumers—where the utilization of gas is much more efficient—is growing rapidly in the face of a declining rate of augmentation of gas-production volumes in the near future: the municipal and domestic economy, taking into account the rise in housing construction and the necessity of improving the ecological situation in the cities, where coal boilers are still being built and operated; transport, taking into account the difficulties of providing the country with motor fuel with a stabilization or even reduction in oil production; and, chemistry, utilizing gas as a raw material for the production of highly efficient products.

Not one of the resources on hand, as follows from this, is able to compensate fully for this reduction in nuclear-power engineering.

A decrease in the requirements for electricity could be one way of reducing the aforementioned shortage of electric power caused by reductions in the nuclear program. References to foreign experience in economizing electric power—supposedly so effective that growth in the requirements for electricity is halted—are frequent of late. The production of electric power around the world, as shown by an analysis of reporting data for the last 10 years (1978-87), has grown by an average of 3.7 percent a year (3.8 percent in the USSR).

The growth rate of electric power surpassed world averages considerably in a number of countries: it was from 7 to 11 percent a year in Brazil, India, China and South Africa. Quite high rates (about 5 percent) are also typical of some other states, including Sweden, Australia and Canada. France, which increased the production of electric power by an average of 6 percent a year over these ten years through nuclear power, must be singled out in particular.

The production of electric power in some countries did not grow or even decreased, in individual years of the decade under analysis. This was especially typical of the 1980-83 period, which should be considered the period of greatest efficacy of the policy of energy conservation, utilization efficiency and economizing of electric power. The production of electricity did not grow in the United States, Japan and West Germany over that period. The growth in electric-power production worldwide over that time proceeded at an unusually slow pace: the increase was 2.1 percent in 1981 and 1 percent each in 1982 and 1983. The production of electric power, however, took a jump in the three countries enumerated as early as 1984: 4.8 percent in the United States, 7.5 percent in Japan and 8.9 percent in West Germany. This indicator grew by a magnitude of 6.1 percent for the world overall.

The data presented make it possible to draw two conclusions: first of all, the production of electric power around the world is growing at a quite steady and high rate, and second, measures of energy conservation and the

economy of electric power in individual countries made

it possible to slow the growth in electric-power production for a certain time, but made no fundamental changes in the dynamics of that growth (Table 3).

Table 3

Country	Electric-power production in 1987, billions of kWh	Increase in production over 10 years (1977 through 1987), percent	Average annual increase, percent	
			over 10 years (1977-87)	over the second 5 years (1983-87)
Whole world	10,450	44	3.7	3.9
United States	2,750	20	1.9	2.1
USSR	1,665	45	3.8	4.0
Japan	680	28	2.5	2.7
PRC*	496	94	7.6	8.6
Canada	495	57	4.6	4.4
West Germany	408	25	2.3	2.5
France	380	78	5.9	6.1
Great Britain	300	4	0.4	1.8
Brazil	220	153	10.9	7.8
India	215	119	8.2	9.8
Italy	205	23	2.1	2.0
South Africa	153	100	7.2	9.1
Sweden	148	63	5.0	7.7
Poland	146	34	3.0	4.4
Austria	134	62	4.9	4.6
Spain	132	39	3.3	3.2
Total for cited countries	8,527	38	3.3	3.8
Total for remaining countries	1,923	80	6.0	4.5

\*—Data from 1978.

A multitude of calculations performed for various conditions of development of the national economy of our country show that in order to solve the economic, ecological and social tasks that have been posed, it is essential to continue to augment the production of electric power at a rate that corresponds roughly to that which has been achieved—no less than 3-4 percent a year—with the obligatory fulfillment of an enormous program of economizing electricity. The indicated scale would otherwise have to be increased sharply, since the tasks our country faces will require additional electric power. New industrial enterprises with progressive technologies (those being constructed jointly with other countries, for example), many measures for improving the ecological situation (the incorporation of electrical heating supply on the shores of Baykal) and a major program to develop housing construction, among others, will all require this as well.

We should, under these conditions, be oriented toward the following variations of the development of electric-power production in the near future:

—accelerating the construction of the Berezovka GRES-1 and -2 of the KATEK and the Ekibastuz GRES-2

and -3, which make use of abundant coal resources, as well as 1,500-kV [kilovolt] direct-current electrical-transmission lines from Ekibastuz—Center and Itat—Ekibastuz;

—making use of additional resources of natural gas with the construction of a number of TETs in the European part of the country, which will make it possible to solve social and ecological problems along with issues of heating supply, as well as individual GRESs as an exception.

Also, in peripheral regions of scarcity (Transcaucasus, the Crimea, Latvia) where the reliability of the power supply will be raised at the same time;

—building two or three major GRESs using coal in the Urals-Volga region (Kuznetsk or enriched Kansk-Achinsk coals) that could utilize natural gas at the initial stage of operation, taking into account that the additional intrinsic resources of the European zone (Donetsk, Pechora and Moscow-region coals) will effectively be unable to be realized in the next 15 years, especially allowing for the enhanced demands of the ecology.

It would also be expedient to consider the possibility of displacing Kuznetsk coal from TETss in operation and being built in the next 10-15 years through feeding them natural gas and making use of the coal freed up for new KESs, which would make possible improvements in the ecological situation in the cities served by the TETss and a rise in the utilization efficiency of additional resources of natural gas.

### Conclusions

1. The poll that was conducted showed that the majority of the power-engineering specialists are against the widespread development of nuclear-power engineering.

2. Public opinion is poorly informed on the conditions of the power equation of its region and on alternative directions for covering it (PRAVDA of 8 Feb 89).

3. The opponents of nuclear-power engineering advertise alternative ways of developing power engineering too easily and without substantiation. Not one of the resources at hand, however, is able to compensate fully for reductions in the nuclear program.

4. The augmentation of electric-power production at a rate corresponding roughly to that which has been reached, with the obligatory fulfillment of a program of energy conservation, is essential to the resolution of economic, ecological and social tasks.

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## Perestroika in Unions 'Mostly Talk'

18200495A

[Editorial Report] Moscow TRUD in Russian for 31 January carries on pages 1-2 a 2,000-word article by S. Vaganov entitled "Egoism of the Apparatus." Vaganov observes that while at inter-soyuz trade union conferences in Minsk and Vitebsk official speeches were filled with pomp, in the halls people expressed what they really thought: "that perestroika in the trade unions is mostly just talk, that the declaration of independence, proclaimed by the Sixth All-Union Central Council of Trade Unions plenum, has remained just a declaration." Thus, he says, "at local levels, the party apparatus hold union members on a short leash, as it always has."

Vaganov notes the subservient behavior of union members towards party officials. He cites an incident that occurred in Vitebsk when a union chairman tried to stand his ground in a conflict of principles with the first secretary of the rayon party committee and did not get any support from the Vitebsk Oblast Trade Union Council because they were "hypnotized" by the latter's party post. He says that small incidents such as these reveal that unions are still following party orders.

Vaganov also questions the basic role of party officials in trade unions, observing that at both conferences their speeches on trade union issues generally lacked focus. It appears to Vaganov that their only function is to insure that people recommended by oblast party committees receive union posts.

The author nevertheless finds some hope in the fact that a vague union consciousness and a desire for true independence was also revealed at the conferences in the form of suggestions regarding secret ballots, control of union budgets, formation of trade union associations, and audience protests against proposed party programs. On the flip side, however, his general impression was that everyone at these meetings was afraid to raise the real issue of trade union independence which cannot become a reality while elected union officials are incapable of acting without party supervision.

## Plans for Commercial Trade Union Bank Discussed

### AUCCTU Deputy Chairman's Interview

904F0069A Moscow TRUD in Russian  
11 Jan 90 pp 1-2

[Interview with I. Ye. Klochkov, deputy chairman of the AUCCTU, by TRUD correspondent, Moscow: "Concern for the Cultural Worker"; date and occasion not given]

[Text]

[Correspondent] Igor Yevgenyevich, on the eve of the New Year the USSR Council of Ministers and the AUCCTU adopted a decree "On the Introduction of

New Wage Conditions for Workers in Cultural and Educational Institutions, Places of Theatrical Entertainment, and State Archives." Could you comment on this document?

[Klochkov] I must say that the AUCCTU literally fought for this decree. The question of raising the wages of people working in various cultural sectors has been repeatedly raised at all levels for 2 years. After all, it has long been clear that they are undeservedly low. In fact, until now a worker in a cultural institution, on the average, has received one-half of what a person engaged in the national economy gets. Therefore, the personnel turnover in clubs, museums, and libraries and the acute shortage of skilled workers in these institutions are understandable. Yes, finally, this situation is inhuman and unnatural for civilized society. Talented people, who, as a rule, are highly erudite, who have chosen as their professions the preservation and dissemination of spiritual values, should not lead a miserable existence. The need for a qualitatively different approach to culture and to people engaged in its sphere has long come to a head. The fact that the decree has finally been adopted is largely to the credit of the trade-union deputy group in the USSR Supreme Soviet, of deputies representing various cultural sectors, who have actively advocated the allocation in 1990 of funds for raising the wages of cultural workers.

[Correspondent] The decree approves higher, new rates and salaries for cultural workers. What will they be now?

[Klochkov] On the average, rates and salaries in the cultural sphere will increase by 30 to 40 percent. For librarians they have been established in the amount of 110 to 190 rubles depending on the quality of their work and education. Managers of amateur art activity collectives will receive from 110 to 210 rubles and theatrical actors, from 110 to 320 rubles.

The decree approves new salaries for specialists and employees, hourly wage rates for piece- and time-rate workers, and a list of individual professions of time-rate workers, for whom monthly salaries and their amounts are established.

[Correspondent] Igor Yevgenyevich, under the wages system that existed in the cultural sphere, for all practical purposes, a person's wages did not depend on the quality of his labor. For example, in a library one person, as they say, puts his whole soul into his work, while another takes his duties lightly. The former could receive only 2 rubles more per month—such a paradoxically meager "bonus..." You have said that now salaries will depend on the quality of work.

[Klochkov] To a large extent. The adopted decree fundamentally changes the situation not only with the introduction of new salaries—this is only part of the envisaged measures for the organization of a more efficient wage system. An expansion of the independence of managers of clubs, libraries, theaters, and concert

halls is its second most important aspect. They will now be able to use the allocated funds at their discretion.

Managers of cultural institutions are granted the right to approve, in coordination with trade-union committees, the list of staff members, to determine salaries, and to establish increments for workers for high creative and production achievements, as well as for the performance of especially important jobs. It is possible to introduce additional payments for holding more than one job, expanding service zones, or increasing the volume of performed jobs, to determine the procedure and amounts of bonuses for workers, and to establish higher salaries for workers who have honorary titles, as well as for managers of subdivisions and specialists engaged in scientific and methodological work, in amounts ranging from 30 to 50 rubles per month respectively.

The adopted decision gives a rebuff to advocates of administrative command methods of management, who try to preserve the "serf" status of cultural institutions. In fact, real prerequisites for broad participation of all public institutes and industrial and agricultural enterprises, not only of the state, in the development of Soviet culture are created for the first time.

[Correspondent] In what order will the decree be introduced: immediately all over the country, or in stages?

[Klochkov] New salaries at the expense of the state budget are introduced as of 1 January 1990 for workers in libraries, club institutions, museums, and exhibitions located in Northern, Far Eastern, East-Siberian, and West-Siberian economic regions, in the Kazakh SSR, in Armenian SSR regions, which have suffered from the earthquake, and in settlements in RSFSR, Ukrainian SSR, and Belorussian SSR regions subjected to radioactive pollution as a result of the accident at the Chernobyl AES; as of 1 January 1991, for workers in these cultural and educational institutions located in Ural, Volga-Vyatka, Volga, North-Western, Central Chernozem, and Central Asian economic regions and in the Belorussian SSR; for state archive workers, everywhere; as of 1 January 1992, in libraries, club institutions, museums, and exhibition halls located in Central and North Caucasian economic regions and in the Ukrainian SSR; as of 1 January 1993, in the indicated institutions in other regions and republics, as well as for workers in other cultural and educational institutions and places of theatrical entertainment throughout the country's territory.

The new wage conditions for workers in cultural and educational institutions, places of theatrical entertainment, and state archives (irrespective of their territorial location) can also be introduced on earlier dates (beginning in 1 January 1990) as republics, local soviets of people's deputies, ministries, departments, trade-union and other public organizations, enterprises, organizations, and institutions find their own funds for these purposes.

It is recommended that enterprises and organizations of production and other national economic sectors, which

finance the activity of cultural institutions on their balance sheets, assign for the indicated purposes part of the resources of the wage fund and the material incentive fund. Specific dates for the introduction of new wage conditions are established by superior organizations in coordination with appropriate trade-union bodies.

An increase in rates and salaries can be made in cultural institutions as a whole, or in individual structural subdivisions, as well as according to categories and professions of workers, as the necessary funds for these purposes are accumulated. New salaries for managerial personnel are introduced after the rates and salaries of other associates are raised.

The introduction of the new wage conditions envisaged by the decree is made on the basis of extraordinary certification of managers, specialists, and employees, as well as of the rerating of jobs and the establishment of skill categories for workers.

In cases when the rates and salaries introduced for workers with due regard for coefficients, increments, and privileges are below existing rates and salaries with due regard for coefficients, increments, and privileges, these workers for the time of their work in a given institution are paid an appropriate difference in wages (with due regard for privileges) if the reduction is not the result of certification or rating.

[Correspondent] Igor Yevgenyevich, but the new principles of labor organization and remuneration in cultural institutions also require new methods of managing this sphere. What is being done in this direction?

[Klochkov] The Sixth Plenum of the AUCCTU unequivocally stated that the task of trade unions is to uphold man's interests not only in the sphere of his labor, but also to protect his spiritual interests and to expand the opportunities to get acquainted with cultural values and to participate in creative work. From our point of view, the Association of Cultural Institutions of USSR Trade Unions can successfully contribute to this. It unites almost 50,000 institutions, including such major ones as palaces of culture of ZIL [Moscow Motor-Vehicle Plant] and of Gorkiy and Minsk motor-vehicle plants. A clear orientation of trade unions toward renouncing administrative command methods of managing "culture" is observed in the establishment of this association. The AUCCTU is now getting away from petty tutelage, edifications, and sermons. The association itself will search for forms of its work and will be accountable to the association members themselves, not to the Ministry of Culture and not to the AUCCTU.

The Association of Folk Arts and Crafts Experts plays a big role in the preservation of diverse national traditions of our art. Its activity will make it possible to make the unique creations of craftsmen, who possess natural talents, available to all.

All this is the sector's new model. We fully share the opinion of USSR Minister of Culture Nikolay Nikolayevich Gubenko, who believes that in the area of culture there should be the maximum possible number of different groupings, associations, and guilds, which could really affect the revival of our culture.

[Correspondent] No one has doubts about the need to improve wages and the sector's management. However, all this requires money. What is your attitude toward the transfer of culture to cost accounting?

[Klochkov] I would like to stress right away: We—I have in mind the AUCCTU—are against such a formulation of the question. The contribution of trade unions to the development of our spiritual life is very big. Two-thirds of the trade-union budget is allocated for the development of culture and sports and financing of clubs, libraries, and out-of-school institutions. This represents 1.8 billion rubles annually—hardly less than the funds allocated for these needs by the state. In the decision on the transfer of cultural and educational institutions of trade unions to new management conditions the AUCCTU Secretariat demanded that trade-union bodies do not permit the replacement of free services for workers and their family members with paid services and a reduction in the appropriations of the trade-union budget for cultural institutions by replacing services not paid by the public with paid ones. In essence, during the transition to new management conditions the subsidy form changes and trade-union funds are allocated not for wages for cultural workers, but for payment for the most socially significant types of club or library activities. Work with children and veterans, organization of amateur art activities, and library services should remain free of charge and the trade-union committee must guarantee this.

I would like to note that new wage and management conditions stimulate clubs and libraries to work with an ever greater number of labor collectives and to pool their funds for the development of culture on a joint-stock basis. After all, for now about 70 percent of the enterprises do not have cultural institutions.

The commercial activity of clubs, theaters, and concert organizations and the creation of state and public funds can also become additional sources of funds for the development of culture. In trade unions proceeds from the distribution of profit of the commercial USSR Trade-Union Bank established in accordance with the decisions of the Sixth Plenum of the AUCCTU can also provide funds for these purposes.

[Correspondent] How soon will the bank begin to operate?

[Klochkov] Work on preparing the constituent assembly of shareholders of the USSR Trade-Union Bank is now being completed. At this assembly the bank's charter will be approved and its managing body—the bank council—will be elected. Many central committees, republic, kray, and oblast trade-union councils and committees, central

councils for the management of trade-union health resorts and for tourism and excursions, and other organizations have already expressed their wish to participate in the establishment of the USSR Trade-Union Bank. The AUCCTU will also be among its founders.

After the registration of the bank charter and the implementation of a number of organizational measures the USSR Trade-Union Bank will begin to operate.

#### **AUCCTU Working Group Official Elaborates**

904F0069B Moscow TRUD in Russian 20 Jan 90 p 2

[Interview with Yu. A. Koshkin; date and place not specified: "USSR Trade Union Bank"]

[Text] In the 11 January issue of our paper I. Ye. Klochkov, deputy chairman of the AUCCTU, reported that work is being completed on establishing the USSR Trade Union Bank. This article aroused widespread interest among our readers. The editors asked Yu. A. Koshkin, senior secretary of the AUCCTU Working Group to Establish the USSR Profbank [Trade Union Bank], to answer questions of interest to our readers.

[Editors] Yuriy Andreyevich, what is the goal of this bank?

[Yu. Koshkin] As you know, the country has many social problems that will require sizable financial resources to solve. There are resources—primarily those of trade union organizations, which by their very nature are intended for solving social problems. However, at present they are dispersed. They are in accounts at specialized USSR state banks and are frequently used by those banks as interest free credits for purposes other than social problems. Therefore the USSR Profbank is being set up to combine the free financial resources of trade union organs and their subordinate organizations.

It is also proposed that USSR Profbank will allocate credits and engage in foreign economic activities involving the acquisition and allocation of foreign exchange.

[Editors] Will USSR Profbank loans be made for such activities?

[Yu. Koshkin] USSR Profbank activities will have a social focus. This means that bank loans will above all be made to solve sectoral and regional programs to improve the Soviet people's health, recreation and working conditions, to expand the production of consumer goods and food, the construction of housing, health resorts, cultural, sports and tourist facilities.

Also, it is planned that USSR Profbank will enlist additional resources from labor collectives and individual citizens by selling them stock. The proceeds will be used to implement regional social programs.

[Editors] Who can become a founder of USSR Profbank and what does it require?

[Yu. Koshkin] Undoubtedly the AUCCTU will be one of the founders. The central committees of 16 trade unions, about 80 republic, kray and oblast trade union councils and committees, the central councils for the management of trade union health resorts, for tourism, the VOIR [All-Union Society of Inventors and Efficiency Experts] and other organizations have already said they will participate in the bank.

In accordance with the draft to the USSR Profbank charter, its founders can also be trade union committees at associations, enterprises and institutions, the country's public organizations, state enterprises and agencies, joint enterprises and foreign firms. This requires promptly sending a letter to the AUCCTU Working Group informing it of their desire to participate in the organization of the USSR Profbank. They must state the size of their first investment.

[Editors] How big will the charter fund of the bank be and what is the minimum investment?

[Yu. Koshkin] The USSR Profbank's charter fund will be determined by the founding investments of shareholders by the end of this January. However, preliminary forecasts show that it will amount to 120 - 150 million rubles. This will permit the bank to make loans totalling more than 2 billion rubles. It should be noted that if the shareholders' meeting decides, the charter fund can be increased by additional investments from founders and by accepting new shareholders. This in turn will make it possible to increase loans. The minimal investment in shares giving the right to one vote has been preliminarily set at 100,000 rubles.

[Editors] Will USSR Profbank have its own local offices?

[Yu. Koshkin] Yes, local affiliates and representatives will be set up to handle local problems. They will be opened according to the USSR Gosbank procedure and will have operating rules. In the long term it is assumed there will be a country-wide network of affiliates so that USSR Profbank can take a large part of the accounts of trade unions and their subordinate organizations. This will make it possible to establish a single unified financial-credit system for USSR trade unions.

[Editors] Who will manage USSR Profbank?

[Yu. Koshkin] USSR Profbank is an independent credit institution. The shareholders' meeting and the council they elect will exercise general leadership over the bank.

A bank board, appointed by the USSR Profbank council, will manage all the day-to-day activities of the bank.

The shareholders' meeting will elect an auditing commission to monitor bank financial activities.

[Editors] What economic benefits will stockholders and investors in USSR Profbank obtain?

[Yu. Koshkin] The volume of the bank's active operations will make it possible to pay dividends to its

stockholders. It is assumed that initially these will be 5 to 6 percent. Later, as bank activity expands this indicator will undoubtedly grow. The distributed profits (dividends) and interest payments to shareholders and investors will provide them with money that they can use not only for additional financing of social measures, but also, most importantly, to pay staff on their organizations.

Also, shareholders will have priority in obtaining credits and enjoy more advantageous terms.

[Editors] When is it assumed that USSR Profbank will begin operations?

[Yu. Koshkin] It is thought that the first loans to USSR Profbank clients will be made in the first half of this year.

All questions regarding the establishment of USSR Profbank should be sent to 117119 Moscow, Leninskiy prospekt, 42, AUCCTU Working Group for the Establishment of USSR Profbank. Our telephone is 938-70-72, 938-85-95.

### Health Ministry Criticized for Unsafe Labor Conditions

904F0081A Moscow *RABOCHAYA TRIBUNA*  
in Russian 12 Jan 90 p 2

[Article by A. Tsessarskiy, writer and RSFSR Honored Doctor: "Hazardous Conditions for Workers at Several Enterprises. Who is Responsible: the Industrial Branch, the Ministry of Health, the State?"]

[Text] I can confirm that everywhere in our country human labor is organized immorally: it is degrading, hazardous, and often simply disastrous.

I worked for forty years in the field of labor hygiene. About two years ago I visited the old Norilsk Iron and Steel Works. Gas masks are distributed to everyone entering the foundry: there are huge concentrations of oxides from coal and sulphurous compounds in the air there. I tried to breathe without a gas mask. I felt a spasm in my throat and everything went dark before my eyes...A few days earlier one of the workers had the mouthpiece slip from his breathing apparatus. He lost consciousness and started to fall off of the scaffold. A fellow worker tried to hold him back and fell with him. Underneath them was a vat of molten metal...

A high-level commission investigated the accident. The Ministry of Metallurgy punished someone and the investigative documents were filed in the proper place...And everything remained as before in the workshop.

In a Moscow meat-packing plant hundreds of workers came down with brucellosis. This illness can lead to disability and is accompanied by agonizing pain. For a long period all kinds of harmless diagnoses were used to cover up cases of brucellosis. The administration completely excluded the possibility of infection among the workers: every head of cattle must have certification of a veterinary inspection for brucellosis. I checked to see how



this certification was given. It turned out that the veterinary inspections at the places of State purchase for livestock-raising farms examines, according to instructions, only one animal out of 1,000. What kind of guarantee can we speak about here? And the reason for the large-scale outbreak of brucellosis at the plant lies in the monstrous work conditions there: outdated machinery with a number of operations done by hand, direct contact with raw meat, shockingly unsanitary conditions...

I went to the USSR Committee of People's Control. The Committee responded immediately. A plenipotentiary inter-ministerial commission was created which decided not to ship cattle from the regions with brucellosis to Moscow. The production process for meat products would not be changed, work conditions would not be made safer or better—they would simply direct the flow of sick cattle around Moscow, to meat-packing plants around its periphery!

At the Moscow Dorogomilovsk Chemical Factory unfinished products for aniline dyes were manufactured for decades. These unfinished products were active carcinogens. Workers from the factory were getting cancer. The Moscow city SES [medical and epidemiological station] repeatedly submitted for consideration a decree to shut down production which was hazardous to the lives of its workers. The USSR Council of Ministers annulled the decree every time. The hygienists demanded that the production process be changed—that the carcinogenic product be replaced with a safe one. But this would entail carrying out complicated scientific research and developing new methods... The Council of Ministers arrived at a simpler solution: it calmed the Moscow physicians and moved this inhuman production process...to the Crimea.

This sad list of indignities under which the laborer has suffered could continue indefinitely. But perhaps the most inhumane of all was the governmental decree at the beginning of the 1970's, "On Measures Towards the Future Improvement of Design-Estimate Work," which revoked the requirement of a hygienist's appraisal on designs. This decree is still in effect today. And designs are released which use yesterday's production processes and which from the outset contain the origins of future illnesses. The decree was issued under the premise of speeding up construction. But long-term construction was and is a fact of life. In addition, one of the most important achievements of Soviet preventive medicine has been revoked. The one effective mechanism for protecting health at the workplace has been abolished. It is true, the decree does have a purely cosmetic feature: a hygienist's appraisal is replaced by certification from the design's head engineer that it meets the sanitary standards which are in effect. The hygienist retains the right to make demands concerning the quality control of an installation in operation. As if one could really change something in a completed factory. And in what way is the chief engineer personally answerable for a bad design? Can he return the nation's squandered millions

or restore people's squandered health? Can he replace the loss to nature—and to life? He is not even criminally liable.

But there was a time when the whole world envied health conditions at the Soviet workplace. We were pioneers in the area of hygienic standards for dangerous factors of production and did a great deal towards putting these norms into practice. But then a period of effaced words and ideas appeared in our society—a time of general spiritual impoverishment and the swift degradation of humanity. Hypocrisy became excusable and almost developed into the behavioral norm for individuals and the entire State...At that time even the preservation of health ceased to be an ethical category and was relegated to the position of "medical services."

Minugleprom [Ministry of the Coal Industry] asks with incredulity: Why are the miners complaining about poor working conditions? Before it was much worse! So much has been done to technically re-equip the mines! So many new high-efficiency mechanisms have been lowered to the mining face! But the problem is that the more mechanisms there are there, the more particles are stirred up by all the equipment. I visited the biggest mines in the Kuznetsk Basin and became convinced that it was dangerous to breathe there. The miners contract coal-dust bronchitis, pneumonia, anthracosis, silicosis... And all because the technologists submitting the projects constantly put off the coaldust-neutralization measures for "later"—it's too complicated and expensive!

And another sphere of labor organization displays a lack of humanity—establishing labor norms. Scientific achievements are put into practice at a remarkably slow rate, and an increase in labor productivity is usually achieved by means of labor intensification. In the 1960's and '70's a mass movement to encourage the operation of many looms at once swept through the nation. Stunning new records were constantly being achieved: one weaver working 20 looms!...30 looms!...40 looms!

But what did these skyward-bound norms cost the women who worked the looms? It is time to say a word about that. The Faculty of Labor Hygiene of the First Moscow Medical Institute conducted a thorough scientific investigation of the weavers' health. They discovered disturbances in the organism's life-support systems as well as numerous specific illnesses that afflict women, all caused by physical and nervous overexertion. The USSR Ministry of Health made the cowardly recommendation that the results of the investigation not be made public—it would be impolitic!

Recently the Komsomol and Goskomtrud [State Labor Committee] decided to correct the situation by offering compensation in the form of privileges and bonuses to workers whose health was damaged due to poor labor conditions. This act in itself legitimized those conditions! The road to hell is truly paved with good intentions. Now it is becoming advantageous for the worker to maintain poor labor conditions! Switching to a safe job

will mean taking a cut in pay. And how many potential conflicts lie in this decision! It is impossible to give standard assessments here: the same production process at different enterprises results in different conditions. A concrete assessment of every job needs to be made. But with what forces and means, and with what methods? The data from the certification of work places that has been conducted recently for this purpose is worthless. The spot-checks which the Moscow city SES carried out last year showed that as a rule certification is formally conducted using the most varied methods which do not allow for comparison. A description of factors of production (e.g., the air in a working zone, noise, vibrations, etc.) is usually absent, and frequently dangerous work operations are concealed and neither the worker's state of health nor his own evaluation of work conditions is taken into account... So instead of proclaiming injuries to workers' health at the work place intolerable, society makes this injury more acute and in effect buys part of the worker's life!

No one can today determine, even with a relative degree of reliability, to what degree inhuman labor practices are devouring the health of our workers. We can only guess that the "degree" is very great. The fact is, no one studies the health of our nation's workers. There is no information on the subject. The Ministry of Health has replaced the concept of "health" with that of a "sick rate" and reduces everything to an analysis of the rate of sickness accompanied by the temporary loss of the ability to work.

World civilization today conceives of "health" as the harmonic combination of physiological and social comfort. The actions of all services which are called upon to preserve labor and health should conform to this concept. It is time to demand that the Ministry of Health create a system of testing the physiological and sociological well-being of laborers at the work place. And the hygienists should switch from devising safety norms to devising norms for comfort. The working man's health should become the chief standard of all our economic and technological programs.

Today the nation's chief state sanitary inspector is subordinate to the USSR Council of Ministers, i.e., to the agencies which he is obliged to inspect. This is convenient, but unethical! He should be accountable to the USSR Supreme Soviet and be independent. Only then can he fulfill his duties to society.

#### Questions for Consideration:

A murderer faces severe punishment—right up to execution by a firing squad.

But what if someone is killed at the work place?

His death can in no way be justified, but it can be prevented.

Hazardous conditions for production are always the fault of the ministry, the government, and the Komсомол. How can we eliminate tragedy at the work place? Let's think about it together. We invite all those who are troubled by this problem to ponder it with us.

#### USSR Industrial, Nuclear Safety Committee Chairman Interviewed

904F0052A Moscow TRUD in Russian 12 Dec 89 p 2

[Interview with V. Malyshev, chairman of USSR Gospromatomnadzor [State Committee for Safety in Industry and the Atomic Power Industry], by TRUD correspondent: "Take Away the Problems"]

[Text] V. Malyshev, the chairman of the recently created USSR State Committee for Safety in Industry and the Atomic Power Industry, came to the TRUD editorial board with the proposal that it regularly publish reports on the most serious industrial accidents. This information, he explained, will help prevent unfounded rumours, will improve production and labor discipline and, consequently, production safety. Comrade Malyshev agreed to answer questions from a TRUD correspondent.

[V. Malyshev] Our committee was formed because of influence from the USSR Gosatmoenergonadzor [State Committee for Safety in the Atomic Power Industry], which I led, and the USSR Gosgortekhnadzor [State Committee for Supervision of Safe Working Practices in Industry and for Mine Supervision]. Their activities have definitely helped assure industrial safety, prevent accidents at enterprises and protect the lives and health of employees. However, neither committee did very much about the important problem of safety for the people living near an AES or a chemical plant. Gospromatomnadzor changed the priorities. The main one was to see that industrial facilities were safe to the public and to employees and did not harm the environment.

The old structure did not assure prompt and highly qualified influence by state inspection organs on work safety in some sectors of the economy. In particular, the social sphere was practically ignored. Unfortunately, inspectors in the old committees "sinned" in that they were insufficiently demanding and attempted to substitute for people in direct charge. They underestimated the role of agency control and did not involve the huge potential sectoral scientific research institutes have for safety work.

[Correspondent] Now, however, everything is in your hands! As one of the deputies expressed it in approving your candidacy to the USSR Supreme Soviet: You have "the key to industrial and energy safety in our country."

[V. Malyshev] Unfortunately, part of the key has not yet been found, and part requires improvement. In some sectors agencies still perform the state inspections. For example, the Ministry of Railways still monitors the safety of train traffic, a unit of the Ministry of Power Engineering has an administration to monitor work

safety at electric power facilities, while the Ministry of the Oil and Gas Industry itself monitors main gas pipelines. There are agencies completely in charge of mining, the operation of boilers, freight transport installations and small scale metallurgical facilities. I do not think that it is necessary to explain what level of agency control there is when the left hand checks the right, and the "head" (the agency itself) is interested in production at any price, even if it violates safety standards.

Finally, several especially dangerous operations are not inspected by the state at all—for example the burial of radioactive waste and some ordinary wastes.

In order for the key to fit all objects it is necessary for state inspection organs to be legally given the right to determine which operations should be monitored and to what extent, regardless of the wishes of the owner! Naturally, we will then be responsible for the consequences of our actions.

[Correspondent] Does your committee intend to cooperate with trade union industrial inspectorates? After all, you have a common task—human safety.

[V. Malyshev] Representatives of inspectorates from the former USSR Gosgortekhnadzor and trade union industrial inspectorates participated in joint comprehensive reviews of safety at the facilities they inspect and were members of commissions for investigating accidents. USSR Gospromatomnadzor intends to cooperate with trade union industrial inspectorates.

However, today it is clearly necessary to precisely delineate the functions and responsibilities of these services in order to eliminate excessive duplication. I think that trade union industrial inspectorates should devote their main attention to work safety and conditions. Our committee will monitor industrial safety. Incidentally, we have already passed joint decisions on this with some trade union central committees (for example, the miners' union).

[Correspondent] What are the parameters for evaluating safety in industry?

[V. Malyshev] I am convinced that in developing individual installations or production operations (technologies) it is necessary to evaluate their risk. Of course, the approach should be differentiated; it is necessary to develop methodologies and criteria. However, it is still not possible to create a single scale for evaluations.

Therefore, today the most accurate and realistic indicator is safety dynamics (for example, the total number of emergencies and accidents, including fatalities) and the mandatory estimation of material damage.

[Correspondent] Recently there have been so many reports about various accidents that one gets the impression that industrial safety has deteriorated.

[V. Malyshev] During the first half of the year 581 people died in accidents in industries inspected by the committee, while in all industries in the country, according to data from the AUCCTU, 4,797 died. For comparison, during this same period more than 20,000 people died on the country's streets and highways.

The greatest "contribution" to this sad industrial statistic is made by the metallurgy, coal and chemical sectors. These sectors, and the Ministry of Railways, the Ministry of the Merchant Fleet and the Ministry of the Oil and Gas Industry are "leaders" with regard to the number and seriousness of major industrial accidents. This situation has remained unchanged for the past several years.

Here is a summary of accidents in the coal industry for the first half of this year compared to a similar period last year:

Nature of accident	Number of Accidents	
	1988	1989
Collapses and cave-ins	8	11
Transportation	4	5
Rock bursts and mine bumps	3	2
Explosive-related	1	3
Gas and dust explosions	6	6
Other causes	2	5
Total	24	32

I would like to note that this year there has been a one-third increase in the number of accidents involving group injuries. An analysis of several factors indicates that the situation may deteriorate.

If we compare this year with previous ones we see that not only the causes of mine accidents, but also the total number of injuries remain practically equal. What does this indicate?

First, for many years there has been no basic change in extraction technology. Second, in spite of the sufficiently high level of mechanization in underground operations, safety questions are not given enough attention.

If it is not yet possible to convert to completely automated coal mining, then it is necessary to try to improve the safety of new equipment. However, this is in the future. Our present reserve, (and it is very big) is the human factor.

Under conditions of cost accounting and full independence it is necessary to introduce substantial fines, both up on entire enterprises and upon the individuals responsible for the violations.

[Correspondent] The public is concerned about safety in the chemical sectors, where accidents cannot only harm production and staff, but also the public and the environment...

[V. Malyshev] Since the beginning of this year there have been three serious accidents at chemical and forest industries plants inspected by the committee. The press examined in detail the rupture of a large tank holding liquid ammonia at the Azot [Nitrogen] Production Association in Ionava, Lithuania. Fifty-five people were injured and seven killed.

The accident was caused by imperfections in the tank's design and by violations of technological regulations for storing liquid ammonia.

In May there was an explosion at an installation of the Nizhnekamskneftekhim [Lower Kama Petrochemical] Association in Tataria. It destroyed production facilities and injured a group of firemen. The reason was unreliable equipment and no monitoring of its condition.

On 23 August there was a gas explosion at one of the shops at the Sterlitamak synthetic rubber plant in Bashkiriya. It was due to gross violations of instructions for the organization and safe conduct of repair works. Six people, including the shop management, were injured. Two of them subsequently died from serious burns.

All of these accidents were due to human carelessness! In the opinion of committee specialists, the lack of discipline in industry has reached critical levels.

[Correspondent] Apparently then your future reports of accidents will be voluminous...

[V. Malyshev] Specialists on our committee will give the editors, and this means the readers also, monthly analyses or reports of accidents in various sectors of industry. We also plan to provide information on the largest industrial accidents.

#### **Deputy Calls For Legislation Against Poor Work Conditions**

904F0059A Moscow TRUD in Russian 23 Dec 89 p 3

[Speech by Deputy Ye. K. Malkova, member of the USSR Supreme Soviet]

[Text] Comrade Deputies, the situation in our country remains complicated. We have a great many sore points but it is simply impossible for me not to speak about one of them. I want to direct the attention of the deputies to an extremely important issue which was not reflected in N. I. Ryzhkov's report, but which plays an enormous role in ensuring safety and working conditions and, therefore, also in raising labor productivity, without which we will not advance a single step no matter what plans we make.

Over a long period of time in our country, at every level, every kind of sanitation and the easing of working

conditions have been proclaimed one of the most important aims of social policy. Lenin's words on the need to make working conditions hygienic, to relieve millions of workers from dust and dirt and to turn our workshops into clean and bright places more fitting for people have been quoted extensively. This was as early as the 20's and this standard was set in Article 21 of the Constitution of the USSR.

Every speech which has touched upon this vitally important problem mainly has cited statistical data on increased allocations for worker safety which totaled about 6.4 billion rubles last year. Many leaders of management organs use such solemn verbiage about concern for the working man to gloss over the real state of affairs with regard to working conditions. Do they even know what it is generally? Up to the present time, after all, our country has not even had reliable state accounting on this issue. Nothing was said about this at either the first or the second Congress of Peoples' Deputies. Meanwhile, dust and gas air pollution, vibration, and noise in the work place still exceed all acceptable norms for 8 million workers, kolkhoz workers and white collar workers in our economy. More than a million industrial workers still perform heavy manual labor and elimination of such labor in the near future simply is not expected.

Our labor laws still consider Soviet women to be the strongest in the world, thus the maximum weight which we may carry by hand (this is the law) is higher by a factor of 1.5 than in many countries. Along with this, working conditions are being improved extremely slowly. I will cite a few examples of women's work. Every third wooden railroad tie, weighing from 80 to 120 kilograms, is placed manually by women. In only one shift weavers must bend more than 1300 times and, on average, for more than half of their working time they are in an uncomfortable position. I could cite even more examples relative to the working conditions of men. Also, no one doubts certainly that the affect of harmful industrial factors on future parents adversely affects the physical health of their children.

Things are no better in the case of worker safety in industry. Because of this, more than 14 thousand people are killed annually in our country and 40 percent of them are from the more able-bodied (from 25 to 40 years old). Forgive me comrade deputies for making an uncomfortable comparison, but this is practically more than the number of our soldiers who were killed during the entire war in Afghanistan. If we consider the full nine years of the war, then 158 thousand people were killed in industry during this period and few people in our country know this. This means that in peacetime thousands of children are orphaned and elderly parents, many of whom, as you know, receive meagre pensions (you and I know this), lose their bread-winners.

In recent years there has been virtually no reduction in the number of people crippled by work related injury or professional illnesses. The total number of people in this



segment of the population was 509 thousand by the beginning of 1989 and, judging by the actual state of affairs, no improvement in worker protection is expected.

Many workers going off to the plant simply do not know whether they will return home again alive and well because they must work with antiquated and dangerous equipment. One accidental death in ten in industry occurs because of faulty machines or machinery in technologically outdated equipment. According to data from USSR Goskomstat, the average service life of industrial equipment in industry is 27 years but the proportion of equipment in use 20 years or more in our country, in comparison with 1985, unfortunately, is not decreasing. The worsening state of affairs with regard to this issue and the obsolete equipment are one of the reasons for the rising number of deaths from its use. And how many more were injured?!

So called "new" equipment produced by our industries cannot stand up to criticism. More than 90 percent (90 percent, comrades!) of the equipment checked by the trade unions does not meet sanitation and hygiene or technical safety requirements. How is one to work under such conditions? I must note that this is not a new problem and that the trade unions regularly bring it up to the appropriate organs. As early as eight years ago, in 1981, the USSR Council of Ministers adopted a resolution to ban the production of such equipment beginning in 1986. Our ministries and departments which implement technical policy in the industrial branches, however, are in no hurry to carry it out. The producers' monopoly and the lack of coordination of the work of the ministries in implementing this resolution also affects this a great deal.

A critical situation is also developing with regard to the means of labor protection. Only 40 to 80 percent of the requirement for means to control and warn of dangerous and injurious industrial factors is being met. After the accident at the Minsk Radio Plant which we all know about (the ventilation system there was very bad), the requirement for ventilation equipment still is only 63 percent satisfied. Strike committee representatives who were at a reception with the chairman of the USSR Council of Ministers spoke about this.

Of course plans are being made in this area but they are inadequate. For example, the Institute for Labor Protection of the former USSR Gosagroprom developed in essence a new hand cart. Milkmaids can use it to transport water bottles or milk cans weighing 50 kilograms, but they can also use it when cleaning up manure or as a stool to rest on. The developers are happy with this hand cart, of course, but we must not forget here that in other countries milk on the farm flows through pipes and manure cleanup is mechanized.

The fact that control over the state of conditions in the work place is weakening is cause for serious concern. I want to say that, in socialist countries, these matters are

handled by highly qualified, highly paid specialists who know labor laws and industrial sanitation issues and, of course, who have more extensive rights.

The situation which has arisen with regard to worker protection in our country is indicative of the inadequate attention paid to this matter by the state. Is it really right that several ministries are handling this issue directly but no one specifically? The USSR Supreme Soviet certainly should review and favorably resolve the question of creating in this country a single state organ which would be charged with responsibility for implementing a single state policy in the area of worker protection. This organ should be given extensive authority and responsibility to the Supreme Soviet for realizing the constitutional right of Soviet citizens to healthy and safe work in all branches of the national economy. Our country is one of the few which does not have such an organ. In virtually every developed country there are state organs responsible to the government for this matter.

It is necessary to provide for the development and realization as early as 1991-1996 of a national worker safety program under the national economy. Since 1984, the countries of the European Economic Community jointly have been conducting a program of worker safety and hygiene. A number of socialist countries also have such programs. The question of development and adoption by the USSR Supreme Soviet of a special law on worker protection in the USSR is on the agenda. Here again, unfortunately, we also lag behind the capitalist countries. The law must stipulate the specific rights and responsibilities of all participants in industry, but there must also be a very strong economic system.

The capitalists consider it profitable to invest money in worker protection and, for this reason, they have a high level of productivity. We lose vast resources. Economic losses exceed 10 billion rubles. We create unhappy families from the loss of the bread-winner and we create invalids. At the same time, we also collect money a kopek at a time. I want to call the deputies' attention to this very serious issue.

#### **RSFSR Cooperative Workers Union Ratifies Charter**

##### **Union Head on Charter**

*904F0060A Moscow TRUD in Russian 28 Dec 89 p 4*

[Interview with V. Alafinov by F. Yemchenko: "We Have Big Plans"; place and date not given]

[Text] A constituent congress of the RSFSR Cooperative Workers Trade Union, which approved the charter of the new public organization, was held in Leningrad recently. TRUD correspondent F. Yemchenko asked V. Alafinov, chairman of the central committee of this trade union, to discuss the reinforcement in the family of Russian trade unions.

I will begin from your first question: why did we call ourselves a trade union? After all, a cooperative worker—this is not a trade. In fact, in our country until now trade unions have been established according to the sectorial principle. However, a new sector of the economy—the cooperative movement—has appeared. Together with it certain questions have also been manifested in the solution of problems concerning social insurance and pension security for those who have changed over from state enterprises to a cooperative. An organization protecting their rights and legal interests is needed. Previously established associations and unions solved only economic problems, not touching upon social ones. Therefore, a trade union possessing the right of legislative initiative has been established.

The first steps of the central committee elected at the constituent congress show how complex the problems that we will have to solve are. Now together with workers of the AUCCTU, the State Committee for Labor and Social Problems, the Gosplan, the Ministry of Finance, and the Ministry of Justice we participate in the drafting of the decree by the USSR Council of Ministers, which regulates social insurance problems. We are working out a mechanism for the establishment of a pension fund and a trade-union bank. In our opinion, these measures will not only help to protect the social interests of cooperative workers, but will also create the conditions for their actual transfer to the category of "civilized cooperatives."

As is evident from our charter, the new trade union differs somewhat from the organizations forming part of the AUCCTU. First, we have renounced the principle of democratic centralism, replacing it simply with a democratic principle. Second, we will closely cooperate with the AUCCTU and the future Russian Trade-Union Council, but on a parity basis. Relations within the trade union between superior and inferior bodies are regulated in a similar way.

And the last thing, which I would like to stress: Our trade union is open not only to cooperative workers, but also to those who work at state enterprises with a mixed form of property. Today it is difficult for them to protect their legal rights and social interests on their own. And this, you can take my word for it, is one of the reasons for the occurrence of the most negative phenomena in cooperatives, which evoke the just anger of the public.

In January we plan to hold a plenum of our central committee, whose participants will present an economic program prepared by the presidium. It envisages primarily the investment of trade-union funds in the development of the regions' social sphere.

We count on close cooperation with local authorities and trade-union councils in the realization of joint projects.

We have big plans for the future. Time will show to what extent we will be able to realize them.

### Text of Charter

904F0060B Moscow TRUD in Russian 28 Dec 89 p 4

[Charter of the RSFSR Cooperative Workers Trade Union]

[Text] The RSFSR Cooperative Workers Trade Union is a mass public organization, which unites on a voluntary basis RSFSR cooperative workers for the protection of their individual and group property, occupational, and other legal rights and interests.

The RSFSR Cooperative Workers Trade Union (hereinafter, trade union) is independent in its activity from state and economic management bodies and political and other public organizations, is not accountable to them, and is not under their control.

The trade union is one of the links in the political system of Soviet society, operates in accordance with USSR and RSFSR Constitutions and Soviet laws, which guarantee it the conditions for a successful fulfillment of the tasks prescribed in the charter participates in the solution of political and social and economic problems, in elections of soviets of people's deputies, and in the development of the cooperative sector of the economy, and has the right of legislative initiative.

While retaining its full organizational, financial, and economic independence, the RSFSR Cooperative Workers Trade Union is part of the USSR trade-union movement.

Fulfilling its tasks, the trade union:

- protects and represents the rights and legal interests of trade-union and labor collective members in state and economic management bodies, law-enforcement bodies, the court, and the board of arbitration and provides legal and other assistance to trade-union members;
- promotes the development of the cooperative movement as an important sector of the country's economy in the interest of workers and their families;
- through its congresses, conferences, meetings, and elective and other authorized bodies, in accordance with the procedure established by Soviet legislation and trade-union bodies, participates in norm creation and in the regulation of labor, economic, social, and cultural relations at all management levels;
- on the instructions of its members concludes social and other contracts and agreements with bodies regulating the activity of cooperatives, economic and public organizations, and enterprises in the USSR and abroad;
- exercises supervision and control over the observance of labor legislation, rules and norms of labor protection, and creation of safe and healthy working conditions in enterprises, institutions, and organizations, whose workers are united by the trade union;

- manages social insurance for cooperative workers and participates in their pension security;
- organizes sanatorium and health-resort treatment and rest for cooperative workers and members of their families, establishes its own general health, cultural-educational, physical culture, and health-promoting institutions, and manages them;
- participates in the activity of public funds and in the ecological movement;
- involves trade-union members in the management of state and public affairs and promotes an increase in their social and political activity and the strengthening of labor and production discipline;
- establishes trade-union banks, cost-accounting associations, and enterprises and organizations with the rights of legal entities for meeting the social needs of cooperative workers and their family members;
- independently or jointly with other organizations engages in publishing activity and uses mass information media;
- cooperates with trade unions of other countries, enters of its own choice into international trade-union associations and organizations, carries out joint measures and an exchange of delegations, conducts solidarity campaigns with trade unions, and establishes joint enterprises and organizations;
- performs other functions corresponding to the goals and tasks of the trade union.

### **I. Trade-Union Members and Their Rights and Duties**

1.1. Workers in cooperatives, unions, and associations of cooperatives, as well as individuals working in enterprises, institutions, and organizations with mixed forms of property, can be members of the RSFSR Cooperative Workers Trade Union.

1.2. A trade-union member has the right:

- to elect and to be elected to trade-union bodies;
- to freely discuss at trade-union meetings, conferences, congresses, sessions of trade-union committees, in the press, and in other mass information media any matters concerning the activity of the trade union, to submit proposals, to criticize the work of trade-union workers, bodies, and organizations, and to openly express and uphold his opinion;
- to receive from trade-union bodies the necessary information on the activity of trade-union bodies, organizations, and the trade union as a whole;
- to turn to all trade-union bodies for the protection of his rights and legal interests, as well as with problems, statements, and proposals and to demand a straight answer to his appeal;

- to be in the ranks of the trade union after stopping work and retiring on a pension because of his state of health or age, as well as for other reasons;
- to personally participate in an examination of matters concerning him at trade-union meetings and sessions of trade-union bodies;
- to receive on a priority basis for himself and members of his family passes for treatment and rest, as well as material assistance from trade-union funds, and to use the services of sports, cultural, and other trade-union institutions and free legal assistance provided by trade-union bodies;
- to be a member of the trade-union mutual aid fund, to buy on a priority basis shares and other securities created in the system of the cooperative trade union, joint-stock companies, and other enterprises, and to use the services of trade-union banks;
- to freely leave the trade union at any time, advising his organization of this.

1.3. A member of the RSFSR Cooperative Workers Trade Union is obliged:

- to observe this charter and to fulfill the decisions and instructions of trade-union bodies and organizations;
- to provide every kind of assistance to trade-union bodies, organizations, and the trade-union as a whole in their activity and avoid actions harming the trade-union movement;
- to pay trade-union dues in accordance with the established procedure.

1.4. Admission to membership in the trade union is made on an individual basis according to the entrant's personal application. A decision on admission to membership in the trade union is made by a meeting of the trade-union group. In the absence of trade-union groups admission to membership in the trade union is made by the trade-union meeting of a primary shop organization.

The length of trade-union membership is calculated from the day of decision by a meeting on admission to membership in the trade union. A membership card is issued to the person admitted to membership in the trade union by a primary organization. Membership in another trade union is counted toward the length of service.

The time of active service of a trade-union member in the USSR Armed Forces is included in the trade-union length of service.

1.5. For nonfulfillment of the duties prescribed in the charter the following penalty measures can be applied against a trade-union member: reproof, reprimand, severe reprimand, and—as an extreme measure—expulsion from the trade union. Organizations, which have the right of admission to membership in the trade

union, as well as superior elective trade-union bodies, apply measures of penalty against the trade-union member.

## **II. Organizational Structure of the Trade Union. Inner Trade-Union Democracy**

2.1. The Cooperative Workers Trade Union and its bodies and trade-union organizations operate on the basis of the following fundamental principles:

- electivity of all trade-union bodies from top to bottom;
- accountability of all elective bodies to the meetings, conferences, and congresses that have elected them;
- collective decision making in the work of all elective bodies;
- independence of trade-union organizations in cooperation with other public organizations;
- recommendatory nature of decisions by superior elective bodies for lower-level ones.

2.2. Primary and regional organizations, their elective bodies, and the central committee form the structure of the RSFSR Cooperative Workers Trade Union.

Primary organizations are established in labor collectives of cooperatives. Regional organizations can be established in cities, rayons, oblasts, krays, and autonomous republics.

Primary and regional organizations, proceeding from the trade-union goals and tasks prescribed in the charter, independently determine the priority directions in their activity and the principles of organizational structure. Interference on the part of superior elective trade-union bodies in matters concerning the determination of the structure and priorities of activity of lower-level trade-union organizations and their elective bodies is not permitted.

2.3. The meeting (conference) is the supreme body of primary organizations, the conference, of regional organizations, and the congress, at the RSFSR level.

2.4. The trade-union meeting and the conference elect an appropriate committee, which is the executive body and manages the entire current work of the trade-union organization.

At the same time, an auditing commission is elected. It audits in an appropriate trade-union body and organizations subordinate to it the observance of the established procedure of conducting affairs, the work on examining workers' proposals, applications, and complaints, the correct implementation of the trade-union budget and of the social insurance budget, and their financial and economic activity. From its membership the auditing commission elects a chairman and a secretary. The auditing commission is accountable to the trade-union meeting, conference, and congress.

2.5. During elections of trade-union bodies the voting form (secret or open) is determined by a meeting or a conference.

During elections of trade-union bodies trade-union members have an unlimited right to nominate and to reject candidates and to criticize any of them. Voting takes place for each candidacy separately. Candidates, for whom more than one-half of the participants in the meeting and the delegates participating in the conference or the congress have voted, are considered elected.

2.6. During elections of trade-union bodies the principle of a systematic renewal of their membership and of the continuity of leadership is observed.

2.7. Trade-union bodies at all levels, beginning from the rayon level, are elected for 5 years and in primary organizations, for 2 or 3 years. Managers of trade-union bodies, beginning from rayon bodies, can be elected to these posts for no more than 2 terms in succession.

Prescheduled elections of a trade-union body can be held at the request of no less than one-third of the trade union members united by a trade-union organization, or by the decision of this body.

2.8. A member or candidate member of an elective body, who has not justified the confidence in him, can be removed from this body at the request of the primary trade-union organization, where he is registered, or on the initiative of this trade-union body.

In the primary trade-union organization the question of removing a committee member, or a member of the auditing commission, is decided at a trade-union meeting by a majority of two-thirds of the votes of trade-union members present at the meeting. Committee members and members of the auditing commission elected at conferences are removed from these bodies at committee and auditing commission meetings by a majority of two-thirds of the votes of committee or auditing commission members.

Members of elective trade-union bodies, who have lost contact with them owing to a change in the place of work or residence, are removed from them. When members of a trade-union body are removed from it, its membership is replenished from candidate members of the trade-union body. In these cases decisions are made by open voting.

2.9. Trade-union meetings are considered competent if more than one-half of the members of the trade-union organization participate in them.

Meetings of trade-union committees and of their presidiums, conferences, and congresses are considered competent if no less than two-thirds of the members of these bodies or delegates participate in them.

Candidate members of trade-union bodies participate in the work of trade-union bodies with the right of a



consultative voice. Members of auditing commissions have the right to attend meetings of elective trade-union bodies.

2.10. Trade-union committees ensure publicity for their activity during the period between congresses and conferences and systematically inform trade-union organizations of their work.

Members and candidate members of trade-union committees regularly report on their work to trade-union members.

Trade-union committees objectively and promptly inform superior trade-union bodies of their activity and state of affairs in localities.

2.11. Members of elective trade-union bodies and their staff members, who do not perform functions of control over the activity of cooperatives, in order to retain their skills in the occupation (specialty) chosen by them, with the consent of a given trade-union body have the right to work according to labor agreements during the time free from work, or to be cooperative members, as well as to teaching and lecture activity.

2.12. The trade-union congress is the supreme trade-union body. The congress is convened by the Central Trade-Union Committee once in 5 years. The convening and agenda of the congress are announced no later than 2 months before the congress. The norms of representation and procedure of elections of delegates to the congress are established by the Central Trade-Union Committee.

2.13. The Congress of the RSFSR Cooperative Workers Trade Union:

- hears and approves the report of the Trade-Union Central Committee and of the auditing commission;
- approves, supplements, and changes the Trade-Union Charter;
- defines the immediate goals and tasks of the trade union;
- elects the chairman of the Central Committee and his deputies and the auditing commission and forms the Central Trade-Union Committee according to the principle of direct delegation of two representatives from every regional organization. In case the chairman or his deputy are not sent as delegates to the Central Committee, after the election they become its members.

2.14. The Central Trade-Union Committee:

- coordinates the activity of trade-union organizations and bodies;
- represents the trade union in mutual relations with state, public, and international organizations;

—realizes the right of legislative initiative in supreme bodies of state power and the right of norm creating initiative in state administration bodies;

—develops and approves the model structure of the trade union;

—approves the trade-union budget and the social insurance budget and organizes and controls their implementation;

—directs the activity of enterprises, institutions, and organizations established under the Central Committee;

—conducts publishing activity;

—performs other functions connected with the realization of the tasks prescribed in the charter.

2.15. The Plenum of the Central Committee is convened by the Presidium of the Trade-Union Committee as needed, but no less often than once in 6 months.

For managing trade-union work between plenums the Central Trade-Union Committee elects from its membership a presidium consisting of a chairman, his deputies, and members of the presidium, forms commissions, and approves the structure and staff of the Central Trade-Union Committee apparatus.

The chairman of the Trade-Union Central Committee and in his absence the deputy chairman of the Trade-Union Central Committee organize and manage the work of the presidium and perform other duties prescribed in the charter on behalf of the Trade-Union Central Committee.

During the period between congresses the chairman of the Central Trade-Union Committee and his deputies are accountable to the Central Trade-Union Committee.

In his activity the Central Trade-Union Committee is accountable to the trade-union congress.

### III. Funds and Property of the RSFSR Cooperative Workers Trade Union

3.1. Trade-union funds are formed from entrance and monthly membership dues, proceeds from cultural-educational, sports, publishing, and other activities, and voluntary contributions (donations) of cooperatives and other organizations.

3.2. Monthly membership dues are established at the rate of 1 percent of the monthly earnings.

Nonworking pensioners and women, who temporarily stop working, because they bring up children, but are in the trade union, pay monthly membership dues amounting to 50 kopecks.

3.3. Trade-union entrance dues are paid at the rate of 1 percent of the received wages.

3.4. Primary trade-union organizations make deductions from the received dues in the amounts established by the trade-union regional conference and congress in favor of superior trade-union bodies for financing general measures and other purposes meeting trade-union tasks.

The funds remaining after the indicated deductions, as well as the funds received from other sources, are used by primary organizations at their discretion.

3.5. The funds received by rayon, oblast, and other regional trade-union bodies, with the exception of the established deductions in favor of superior trade-union bodies, remain at the full disposal of these bodies and are used by them independently.

3.6. Interference on the part of superior trade-union bodies in the processes of distribution and use of the indicated funds is not permitted.

3.7. The funds received from trade-union membership dues and other sources are spent on cultural-educational, physical culture-sports, and other health-promoting

measures, provision of material assistance to trade-union members, and other purposes according to the estimates approved by trade-union meetings, conferences, and plenums.

3.8. For material security for its activity prescribed in the charter the trade union has property in the form of buildings, structures, equipment, cultural and educational funds, and other assets.

3.9. The Cooperative Workers Trade Union does not bear responsibility as to property in connection with obligations resulting from social and other contracts and agreements, except for those assumed voluntarily, and is not responsible for the obligations of state, cooperative, and other public organizations, just as the state and its bodies and organizations are not responsible for the obligations of the trade union.

#### **IV. On the Rights of the RSFSR Cooperative Workers Trade Union and Its Bodies as Legal Entities**

Trade-union committees of cooperatives, enterprises, and organizations subordinate to the trade union and united, rayon, city, okrug, oblast, and kray trade-union committees are legal entities and have a seal and a stamp of an established model.

## PRODUCTION

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### Competitiveness of Soviet Machine Building Products Assessed

904G0018A Moscow *STANDARTY I KACHESTVO*  
in Russian No 12, Dec 89 pp 56-58

[Article by B.S. Kobrikov, candidate of economic sciences of the Economics Institute of the BeSSR Academy of Sciences: "Which Machines Are Considered Competitive?"]

[Text] The quality of machinebuilding output becomes an economic problem when enterprises have been granted the right of economic self-sufficiency and free access to the world market. Yet it is the economic aspect that remains the least studied in the problem of a methodology for assessing the quality of machinery. The existing system for evaluating the technical level and the bases for comparing the main technical parameters of domestic machinery and equipment with the best world models have serious inadequacies. These are: subjectiveness, imprecision, a bureaucratic tendency to overstate the actual technical level, and a weak correlation with the final national-economic results and with foreign-trade activity.

This lack of methodological development has led to an extremely ambiguous situation. On the one hand, the number of products with the State Quality Emblem increased 4-fold during 1970-1985, while, on the other, exports were almost halved during this same period and in 1985 machinebuilding sales to developed capitalist countries were little more than 1 percent of total export receipts. At the same time, imports were growing, and today we are importing almost a third of the machinery and equipment from abroad. All this indicates that the existing system for assessing the technical level does not meet the requirements for increasing the competitiveness of domestic machinery on both the world and domestic markets—a serious rethinking of it is necessary.

Of course one can go the route of improving existing methods for assessing the machinebuilding output technical level, for example, as a result of a joining of particular technical parameters to the whole through a system of coefficients of significance. However, such an assessment is equivalent to our evaluating an athlete not on the final sporting-event result (for example, the height he jumps), but in accordance with total points awarded for his physical specifications (age, weight and body constitution) and according to the length and speed of his running approach, the pushing force, and so on. The absurdity of such a method is obvious, but we do not notice this in regard to machinery. Only in accordance with the final result can the suitability of using a machine for executing production and economic tasks in the national economy be judged, and only in accordance

with the volume of sales on the foreign market can the technical level and quality of machinery and equipment be judged.

Customers are interested primarily in the cost of doing a certain amount of work of given quality and not in the machine's individual engineering-economic parameters. All the technical and economic indicators—productivity, weight (or materials intensiveness), reliability and longevity, convenience of servicing, repairability, and price—play their role in the prime cost (or price per unit of productive work, since it is formed by dividing the total operating expenditures throughout the machine's whole service life by the productive amount of work. Expenditures for wages, servicing and overhaul, and energy and fuel, as well as amortization deductions and so on, are included in the operating costs.

An analysis of the activity of foreign companies, as well as the data of the EOKK [European Organization for Quality Control] conferences and other international organizations, indicates that the main criterion of quality for the foreign customer in solving the problem of machinery purchases is the so-called "cost of the service cycle." This is defined as the sum of the price offered by the buyer and the expenditures on operation of the machine, adjusted for the year being computed, with the time factor taken into account [1, p 40]. Based on this, the quantitative economic criterion for the competitiveness of machinery and equipment is determined by the equality of the various operating costs per unit of productive work of a given quality standard for doing it.

However, it should be kept in mind that the competitiveness indicator depends upon the machine's operating conditions in the various countries of the world. Therefore, when the competitiveness of a machine is mentioned, the specific market for the sale must be considered. Today, when the protectionist policy of leading capitalist countries is intensifying (American specialists consider that this trend will grow at the end of the 1980's and during the 1990's.), the world market consists of the U.S., Western Europe, Japan, and the countries of socialist collaboration, and the heterogeneous market of the developing countries, which is disintegrating into separate sectors that are gravitating toward the four markets named.

Based on the fact that the cost structure per unit of the same production work varies appreciably in different countries, a machine's engineering-economics parameters should be differentiated. For example, while in this country the various costs and expenditures for amortization deductions, driver's wage, fuel and lubricants, and overhaul and servicing are almost equal for operating a truck, in the FRG the costs for fuel and lubricants make up almost 40 percent, driver's upkeep 30 percent, and the proportion of amortization deductions is no more than 10 percent. So the main factor for trucks in that market is fuel economy and high productivity, primarily through reliability and longevity; and strict

observance of toxicity and traffic safety. Price is of secondary importance. A conclusion can be drawn from this: when amortization is of no great proportion in the operating-expense structure, even a very low price for the item does not cover operating losses due to other expenditures, and, therefore, is not an advantage in the competition game. Only low total specific expenditures for operation provides for competitiveness.

It must be clearly understood that the level of competitiveness is a line, not an area, as our specialists frequently understand it, for where there is stiff competition on the world market, the standard for profit versus expenditures does not average more than 5 percent. Consequently, if the level of prime cost for work performed exceeds by as much as 5 percent the expenditures for operating the machine that dominates a given market, then such a machine becomes a loser. One cannot even speak about competitiveness, even if the "machine corresponds to the world's best counterpart in basic parameters."

As for a quantitative assessment of the competitiveness of machinery, the customer satisfaction index (CSI), which is used widely abroad, can be used here.

Increasingly higher demands are being made on the level of competition. The concept of "competition" itself indicates that a commodity is not only capable of withstanding competition but also actually competes in one market or another. One can judge competitiveness objectively by the share of sales of a given type of product in a specific market. It is no wonder that the giants of Japanese business constantly (almost daily) monitor the indicator of share of sales of their output on the markets they have won, viewing it as the main indicator of their successes or lack thereof [2, p 21]. However, where there is a protectionist policy of the leading capitalist countries (primarily the U.S.), which appears in the concept of discriminatory measures against the socialist countries, especially the USSR, it is very difficult to get a grip on the machinebuilding market of leading capitalist countries. Therefore, the share of sales volume in these markets for purposes of evaluating the competitiveness of machines can be small, but not less than 1 percent, otherwise the commodity will not be noticed at all. However, in order to insure even such a small share in the U.S. or West European markets, 20,000-30,000 cars of any class or 2,000-3,000 high load-capacity trucks must be sold per year, for example.

It goes without saying that such volumes of exports to developed capitalist countries is within the capabilities only of large, modern science-and-production or production associations. And how do you evaluate the competitiveness of the output of small enterprises, which cannot get even such a small share of sales because of limitation of the amounts of its production? In our view, if an enterprise exports 20-25 percent of its output to a capitalist market, then its output should be considered competitive. In this case, we share completely the opinion of the Machinery and Equipment Section chief

of VNIKI [All-Union Scientific-Research and Design-Development Institute] of the USSR Ministry of Foreign Trade, Doctor of Economic Sciences K. A. Kirillov, that Soviet exports of machines and equipment should be oriented preferably to the development of a comparatively limited range of articles and the conversion thereof into the principal articles. Given a strict policy of protectionism of the leading capitalist countries for most types of machinery produced, it is necessary to solve the problem not of getting an outlet to the foreign market but of supplanting similar import items in the domestic market and the market of the collaborating socialist countries, by increasing (or achieving) their competitiveness. Such a machinery export-import policy will enable many enterprises to be liberated from filling export orders, for whom their execution is an expensive and difficult task, the more so since the results of exporting their output are, as an analysis of USSR MVT [Ministry of Foreign Trade] has shown, extremely modest.

A competitive machinebuilding product should increase the profit norm for its customers. An innovation put on the market should, for example, increase it 2-fold to 3-fold over that of the product that has been dominating the given market. It follows from this that, in order to provide competitiveness of machinery in the capitalist market, the level of prime cost per unit of work done should not exceed 0.9 of the level of the prime cost of the counterpart that dominates a specific market. This quantitative indicator can be a good guideline for the developers of new equipment. But the low level of the prime cost of doing the work must be reinforced by a system of warranty for technical servicing. Moreover, the strict operating and ecological standards of the importing country should be observed.

Undoubtedly, such an approach to an assessment of the engineering-economics level requires a radical review of the existing system for certifying products. Primarily, it will be necessary to learn how to determine precisely the final economic result from introducing new domestic machinery and improved foreign counterparts for both the domestic and the foreign markets, linking it with the basic technical parameters of machines and equipment. The State Certification Commission should include not only specialists of an engineering qualification but also economists, as well as representatives of USSR MVT, which would be able to assess objectively the economic results of introducing machinebuilding output for specific conditions of use.

Of course, such a strict, objective, quantitative assessment of customer qualities of a product will certainly contradict the existing quantitative expression of plan indicators of the quality of an industrial product—the share of output of higher quality category in the production volume; and the share of output exported to developed capitalist countries. The value of these indicators during an objective assessment of the conformity of the quality level of a domestic product to that of the best world models is reduced by almost one order of magnitude. Thus if, during the current five-year plan, we get an



outlet and a strengthening of a machinebuilding product on the market of developed capitalist countries, the share of its sales should comprise at least 1 percent of the total amount of the sales of the machinery and equipment in the capitalist countries. Correspondingly, the amount of export shipments to these markets should be increased greatly. Thus, the share of competitive products in the total amount of industrial output that are subject to certification will not exceed even 5 percent for the Union as a whole, and the share of output of the highest quality category, including products that are competitive, will not be more than 10 percent. Even Japanese economists consider that only 10 percent of their products successfully withstand competition on the world market. Such a percent is in close agreement with recent data on state certification during 1986: the share of output of the highest quality category was reduced, being less than 15 percent. With a still further tightening of the certification requirements, this indicator will become still smaller. Therefore, one should not concur

with the view that a product that has been awarded the State Quality Emblem is actually at the level of the highest world requirements, is indisputably competitive on the foreign market, and is an object of national pride. High level of quality of a product means high quality of engineering solutions, tooling, materials used, and professional mastery of the manufacturers. A rise of their collective level is a complicated, painstaking and lengthy task, taking years of systematic labor.

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## MOTOR VEHICLES, HIGHWAYS

### Silayev Interviewed on 'People's Automobile' Project

904H0150A Moscow *RABOCHAYA TRIBUNA*  
in Russian 28 Feb 90 pp 1-2

[Interview with I. Silayev, deputy chairman of the USSR Council of Ministers and chairman of the Council of Ministers Bureau on Machine Building, by Ye. Panov: "Your Partner—The Government"]

[Text] *The USSR Council of Ministers is considering variants of creating a "people's automobile." The idea of a people's automobile came about in the collective of builders at the motor vehicle plant in Yelabuga. Their letter, "A People's Automobile for People's Money," was published in STROITELNAYA GAZETA. Thanks to Central Television's "Prozhektor perestroiki" [Searchlight of Perestroika], the entire country found out about it.*

Today work is under way to form the People's Joint Stock Company (NAO). Its organizing committee has begun publishing an information and advertising bulletin. The bulletin reports that the 30,000 people are already ready to become shareholders of the Yelabuga Motor Vehicle Plant [YelAZ]. Almost 170 labor collectives are willing to participate in producing a people's automobile. They are offering the most varied assistance—from skilled specialists to bricks. For example, the Taganrog "Priboy" Plant is taking it upon itself to ensure production of electrical appliances, the Simferopol cooperative "Universal" is sending part of its people to the construction site, and engineer Zlobin from Vyazma in Smolensk Oblast is nominating himself for the post of director of the association for building the plant.

But for now, the state is building it, or more precisely, the "Kamgesenergostroy" Production Association of the USSR Ministry of Power and Electrification on order of the Ministry of Automotive and Agricultural Machine Building. The largest plant in the complex—the machine-tool plant—has already begun producing products. An agreement has been signed in Rome on intentions to create a Soviet-Italian "Fiat-YelAZ" venture with a capacity of 300,000 minicars a year.

**How to join together and channel into a single direction the people's initiative and the state's efforts? I. Silayev, deputy chairman of the USSR Council of Ministers and chairman of the Council of Ministers Bureau on Machine Building, reflects on this.**

[Silayev] The trend aimed at giving rise to a people's automobile appeared spontaneously one day. But it is quite understandable why it appeared: the "Oka" minicar impresses you with its fairly low price and is oriented to the young people, to those who do not have the opportunity to purchase a more expensive car. The

"Oka," existing only on paper, immediately gained prestige. Therefore, the question arose: What role should the public and the workers play in producing it?

The idea of creating the NAO immediately interested us. I invited the authors to my office. They proposed, in essence, the method of a people's construction project: bring what you can, and we will build it ourselves. But this is a very complicated, expensive complex, and hundreds and even thousands of enterprises and tens of thousands of builders are involved in the process of its creation. It involves large state capital investments, strict deadlines... So, the NAO concept appeared friable and non-specific.

They engaged a group of experts to make the NAO idea more specific. They were to put on the table a concept of combining participation by the state and the people. Recently, L.I. Abalkin and I gathered the experts together and invited the NAO brigade that had the authors of the initial concept, and exchanged opinions.

Something became clearer. For example, it became clear that several approaches were possible. Let's say people can participate in building the plant for the future automobile. Fine. But what then? They develop a vehicle, and the joint stock company falls apart?.. This is not efficient. And we consider the method of people's construction using people's material support to be unrealistic. You might build a shed with some bricks and cement. It would be wiser to consider worker participation with money. Financial participation is quite understandable and quite realistic, both in the construction and operational stages.

Two variants of a joint stock company are being proposed. The first is the NAO itself, the concept of which has been finished. It calls for centralized financing and issuance of automobile stock shares, favorable taxation of YelAZ and its suppliers and cooperating enterprises for 10 years, and guaranteed state material and technical supply. But in view of various ambiguities of economic reform and in view of the fact that work on the Law on Ownership has still not been completed, the decision on organizing an NAO cannot be made now.

Therefore, a second variant emerged—to form a State Joint Stock Socialist Production Association (GASPO) and authorize it to use various sources of financing, say, spare resources of enterprises and the population's money.

[Panov] Ivan Stepanovich, the word "people's" has disappeared from the second variant. The people's company form is attractive, in that it makes it possible—with the government's support, of course—to use the creative energy of the people. What place is allotted to it in a state joint stock association? In general, how is the organization of a GASPO conceived?

[Silayev] We still have to think over the legal aspect. But for now, let us improvise. Here is roughly the way it works: We begin with 15-20 constituent enterprises that

are directly involved in building the plant. Let us assume that these are Yelabuga, construction workers, chemical workers, and building materials enterprises. The founders elect a board of directors. The board decides to issue shares of stock, say, at 1,000 rubles each. How many? We must think about this. Generally speaking, as many as they will buy. I am against categorical plans—let us sell, they say, exactly 2 billion. It is impossible to plan the distribution of stock shares.

First of all, roughly 3.5 billion rubles must be invested in the plant. It would be good if the workers gave all of this. But we cannot shift the entire weight of capital expenditures on their shoulders. People at first will doubt the success of such an unusual venture. They will provide roughly 10 percent of the funds; the contributions of enterprises will be 20 percent; and the state's share will be 70 percent. If the population does not buy up the stock share, the state's contribution will increase.

[Panov] Who will act on the state's behalf?

[Silayev] The Ministry of Automotive and Agricultural Machine Building.

[Panov] It will also act as the state's stockholder?

[Silayev] Yes. At first, as I said, we see it holding a good 70 percent of the stock shares. Then, as reform progresses and the economy stabilizes, this percentage will decrease. A normal control package belonging to the state is 20 percent. For example, this is precisely how the FRG government's participation in the joint stock company "Volkswagen" was, which has 600,000 stockholders. The federal government got involved through the Ministry for Economics. This is a quite civilized form of supporting the economic initiative of the workers.

Certainly, there should also be certain privileged shares of stock belonging to the constituent enterprises, reflecting the interest of their workers and enabling them to really participate in the management of the association.

[Panov] How do you interest the average, unprivileged stockholder who has invested his hard-earned thousand rubles in construction of the plant?

[Silayev] Any joint stock company exists on dividends. When an enterprise operates and makes a profit, some percentage of it goes to the shares of stock, which ensures the economic interest of the investor. But how to keep this interest if there are only expenditures instead of profits? After all, a share of stock must work from the first year. Therefore, some part of the state capital investments may have to be used for payments of dividends.

Nevertheless, maintaining interest in the operation stage is an equally complicated issue. Of course, if a person wants to take an automobile to liquidate his stock shares and leave the company, he may. It is up to the board of directors to distribute part of the first output among the

stockholders. But they, having been guaranteed to purchase a car, may remain in the joint stock company. We must continue to think about all of this.

[Panov] But, Ivan Stepanovich, if a large part of the shares belong to the state, actually to the ministry, it will be able to dictate its own terms. And it most likely will not miss this opportunity. Our ministries have an ill fame: The main thing for them is the plan at any price, and not the interests of the people. And there has more than once been cause to accuse the state, too, excuse me, of business dishonorableness. Will the board of directors of the GASPO firmly and consistently defend the interests of the common shareholders?

[Silayev] In addition to the board of directors, an observation council is also provided for in the joint stock company. In general, everything is as it is supposed to be. That is also why we asked to study Western experience. And this experience says that shareholders differ. Their votes carry different weight. Common shareholders vote only with their money. A control package of shares gives the right to a weighty vote. The main shareholders have a decisive word on the board; in the West these are banks, companies, and the state. How can we do this in our country? I think that the state can be represented not even by the Ministry of Automotive and Agricultural Machine Building, but by YelAZ directly. It receives funds through the ministry, free or as a loan. If it is a loan, the enterprise is unlikely to pay back the debt to the state quickly. And does it have to pay the debt back? This will depend on the Law on Ownership. In short, we will work out a model.

[Panov] It seems to me that this is a model of a gradual transformation of state ownership into a form...

[Silayev] ...of state and joint stock ownership. Actually, it is impossible to transform state ownership into other forms with one stroke. Who, for example, can now purchase the fixed assets of VAZ [Volga Motor Vehicle Plant]? They are worth billions. But to convert VAZ to a joint stock-state form of ownership is a different matter, in the future, after the first step has been taken at Yelabuga.

[Panov] This is an extremely critical step. After all, having taken this step, everything must move farther and farther. Issuing shares of stock will mean that the elements of a capital market have appeared. Stocks must be bought and sold, and this must lead to the appearance of an exchange... Does the government imagine a clear sequence of steps?

[Silayev] This is a very critical step, not only in terms of the future but also in terms of the present. For example, we must think about service. Will Yelabuga blend in with the overall system of automotive service in the country, or is a separate network needed? Or take the eternal problem of the continually increasing cost of projects compared to the estimated cost. This is not only a matter of inflation, but also a matter of the skill of planners and their lack of economic responsibility.

Apparently, we must include planning organizations in the make-up of the founders of the joint stock company, that is, get them involved, but at the same time set up strict control. We need to involve Western experts, the same "Fiat" company, and we have an understanding on engineering consultation on the first section with the Italians.

But, of course, we will also take inflation into account. If construction of the complex drags out for 10 years, it will stifle us, and the shares of stock will simply decrease in value. Therefore, we will try to keep within short deadlines. We should put capacities into operation next year. We should begin producing vehicles in 1992.

[Panov] You are citing quite fantastic deadlines by our standards.

[Silayev] Yes, by the middle of this year we will need to reach a daily volume of construction and installation work of 1.2-1.3 million rubles. The construction project has been declared a construction project of state importance, it has been included in the state order, and it is planned as a separate construction project for all material resources.

It cannot be said that everything is going fine at Yelabuga. But, fortunately, creation of a social infrastructure is going more quickly than erection of the shops. There are already some pretty good microrayons. Another 90,000 square meters of housing should be put into service this year. Vigorous subsidiary farming is envisioned.

So, we should confine ourselves, as you say, to fantastic deadlines. We are even consciously putting ourselves in a desperate situation, having signed a contract with the Italians. According to it, in 1993 we must start up the joint venture—the second section of YelAZ. The second section will receive castings and certain reprocessing from plants of the first section. If we drag out its construction, we violate the contract...

Let us draw the line. We cannot keep silent any longer. But I do not categorically approve anything. The main thing is that people believe in the seriousness of the government's intentions, are interested, and help build YelAZ.

## RAIL SYSTEMS

### Rail Ministry Modernization, Increased Tariffs Viewed

904H0143A Moscow GUDOK in Russian 18 Feb 90 p 2

[Article by A. Kreynin, chief specialist of VNIIZhT [All-Union Scientific Research Institute of Railroad Transport], and I. Buchin, head economist of TsM [apparatus entity] of the Ministry of Railways: "What Does the Increase in Tariffs Promise?"]

[Text] As we know, new tariffs for freight transport have been introduced, beginning on 1 January 1990. Their level in railroad transport, as compared with those in effect in the preceding years, rose by an average of 35 percent. What dictated these changes, which caused an ambiguous reaction on the part of a number of sectors and enterprises of the national economy and the trade unions of the country?—A. Panin

No one is going to deny that there cannot be a strong economy, reliable defense capability and good passenger service without well-developed railroad transport, working as a finely tuned mechanism. Since it is an important component of the overall transport system, it is called upon to ensure complete, timely and high-quality satisfaction of the transport needs of the national economy and the population.

Unfortunately, the country's "steel mainline," which bears the main transport load, is not meeting today's requirements. Many lines and sections of the roads restrict the throughput of train flows. A large number of classifying stations, locomotive and railcar depots and technical service points are working with a shortage of processing power. Lightweight types of rails, which do not correspond to the intensiveness of the traffic, have been laid on thousands of kilometers of track. Many railroad bridges, built before the norms of the end of the last and beginning of the present centuries, must be replaced. The passenger facilities lag behind today's demands and do not meet the increased passenger flows.

The unsatisfactory technical state of the roads holds back the work of many enterprises of the national economy, and provokes the justified censure of the workers. There is no letdown in the flow of passenger complaints about the trains being late.

It is clear that without updating transport, none of these problems will be solved. The Ministry of Railways has worked out and submitted to the directive organs a plan for the Program for Reequipment and Modernization of the Railroads in the years 1991-2000. Its implementation requires multi-billion capital investments, which the MPS [Ministry of Railways] does not have. There is no need to wait for large capital investments from the State budget, the shortage of which is well known. Under these conditions, the decision made to revise the railroad freight tariffs in effect was essentially an objectively necessary one.

At all stages of socialist construction, railroad tariffs have served as an important means of influencing the development of all sectors of the national economy, including transport. In the last few years, however, their role and significance in the overall system of price formation has been clearly undervalued. The tariff level has virtually not risen since 1955, even though during this time major reforms of wholesale prices for many types of very important products, raw material



and energy resources, including those consumed in large quantities by the roads, have been repeatedly carried out.

This situation, on the one hand, because of the increased expenditures, has systematically reduced the profitability of transport work, which has dropped to an exceedingly low level, permitting no accumulations and investment of necessary capital in updating and developing the roads. On the other hand—it has led to a reduction in transport's share of the components in the ultimate price of the goods produced. For example, while in 1966, the proportion of the tariff in the price for hard coal was 26.4 percent, it has recently dropped to 10.4 percent. Similarly, in the price for iron it has dropped from 6.6 to 2.7 percent, for rolled ferrous metals—from 4.7 to 2.2 percent, for coniferous timber—from 29.1 to 15.4 percent, etc.

This decrease in transport expenditures per unit of goods produced, under the conditions of economic methods of management (through prices and tariffs) creates the illusion of the cheapness of transport work, and leads to overstating the demand for transport and to unnecessary overloading of transport. Ultimately, it will lead to squandering transport resources.

The exceedingly low, and even unprofitable tariffs for transporting a number of industrial goods has affected transport for a number of decades. For example, specific tariff privileges have existed for the transport of mineral fertilizers and agricultural products, for the delivery of freight to the regions of Siberia and the Far East, and for mixed railroad-water services. The development of very important sectors of industry, agriculture and of entire important regions of the country has essentially been stimulated through freight tariffs, and by the labor of the railroad workers.

Today the time has come when the sectors of the national economy and the regions, through economically substantiated freight tariffs, can take part in the accelerated reequipment of the railroads, in order to ensure that their activity is on a par with today's demands, in which both the economy and the population of the country are extremely interested. According to the calculations of railroad scientists, improving the transport service of the enterprises, merely through accelerating the turnover and reducing the reserves of commodity-material valuables will release 60 billion rubles of circulating capital in the sectors of the national economy.

Modernizing transport will create the conditions for the normal work of industry and agriculture, and will make it possible to eliminate the losses entailed in the supply of raw material and the transport of products. As a result, the economic advantages obtained by the enterprises from increasing the efficiency and quality of railroad work will cover, several times over, the increased expenditures incurred by the enterprises from increasing the fees for freight transport.

As experience shows, each of the railroad tariff reforms carried out is an event exerting great influence on the development of the sectors of the national economy. The result of this reform has been not only a mechanical rise in the level of fees for freight transport, but also a radical transformation of the entire system of freight tariffs.

Formerly, the roads had "profitable" and "unprofitable" freight, since the fee for transporting different products on the same all-purpose rolling stock and with an identical freight weight was not identical. This principle had no economic basis, and many shippers suffered from it in a material way.

In order for the roads and shippers to be economically interested in uniform fulfillment of the transport plan for the entire products list of freight, and to ensure equal profit from delivering any product, a parametric model study was applied to the new tariffs for the first time. It reflects not just any random interests, but factors that depend on the freight owners and affect the productivity of the means of transport, such as their type (all-purpose, specialized), their affiliation (MPS fleet, internal, leased), the distance of the transport and the level of loading.

The new rates are directed toward accelerating scientific-technical progress, particularly toward introducing new, specialized cars. Their use promises freight owners a substantial benefit through saving on weight and packaging, using mechanized means to load and unload, better preservation of the freight and lower expenditures to prepare the cars. Based on the specific conditions, the freight consignor can now determine in what type of car—all-purpose or specialized—it is more advantageous for him to transport the goods.

The fee for freight transport in one's own or leased cars is constructed in such a way that it encourages the freight owner to acquire or lease narrowly specialized cars. At the same time, stricter conditions are created for transport in the all-purpose cars of the freight owners, since their operation is more efficient in the general, centrally regulated fleet.

The tariffs stimulate efficient use of specialized cars. For example, transporting grain for short distances in grain carriers will be cheaper than in boxcars, and for longer distances—the other way round. Also taken into consideration in this case are factors such as the higher cost of door-to-door operations for box cars with grain, and the increased empty run for the grain carriers.

Payment for the transport of perishable goods has been radically restructured. It is differentiated for different freight, depending on the degree and duration of the cooling and refrigeration conditions. A discount is introduced for a consignor who precools goods before loading. This should stimulate the construction of refrigerators at places growing fruit and vegetables. A lower tariff for thermos-cars than for refrigerator cars has been introduced, which will contribute to introducing this new type of rolling stock.

On the whole the revision of the tariffs will make it possible to eliminate many strata left from the administrative-command past, and to make the transition to economic methods of transport management. At the same time, the MPS should now determine the necessary level of tariffs, which requires revision of wholesale prices. It must think about its attitude toward territorial differentiation of tariffs in relation to the conversion of the republics and regions to cost accounting.

All the changes which we have discussed should, of course, contribute to solving the critical social problems in railroad transport. In particular, the financing of public health and education through the State budget has been retained, as has been established in other sectors of the national economy. Under these conditions there is a possibility of making the railroads equal with industry with respect to the economic incentive funds obtained per worker. The MPS is presently revising the withholding norms for the economic incentive funds of the railroads.

### Railcar Handling Statistics Issued

904H0143B Moscow GUDOK in Russian 18 Feb 90 p 2

[Article from Materials of the Transport Main Administration of the Ministry of Railways: "Where Did the Car Get Stuck?"]

[Text] In the first half of February, 200,500 cars were unloaded daily—somewhat more than in January, but still lagging 1200 behind the plan. Some 5200 cars with local freight were not coped with every day (the result is worse than that of the same period last year), and only 15 out of 32 roads ensured unloading above the assigned turnover.

The level of unloading gondola cars dropped by 2200 as compared with last year, and 3800 units daily failed to be released for turnover. As before, the rates of unloading at night and on days off were low. As compared with last year, there was a reduction from 28.4 to 27.8 percent—2700 cars, and on days off—by 3000.

Along with the losses due to the uncoordinated work of the customers, the delivery of local freight remains unsatisfactory. The "leaders" in this respect can be seen from the table. One cannot help but note here that the Volga road, until recently consistently lagging behind, achieved good results in both delivering and unloading cars for turnover in January and February.

As before, the transport conveyer is running feverishly due to the failure to remove freight and containers from the stations. For example, on Sunday, 11 February, about 35,000 of them were dispatched to the addressees, instead of 83,800 according to the norm, and about 181,600 remained at the sites—almost 1.7-fold more than counted on. Once again, an excess accumulated at the Moscow junction, from which 1,459 containers were removed on the same day,

instead of 4,831, and on the October road—1,042 instead of 3,943. The situation is the same on the Sverdlovsk, Southwestern, Southern and a number of other roads.

Given below are data on the releasing of cars for the first half of February, with the roads divided into three groups according to the volume of average daily unloading.

Roads	Road chief	Actual unloading of rail-cars	Level of unloading according to local car turnover, %
from 8000 to 13,000 cars			
1. Dnepr	Alimov, A.	9,650	111
2. North Caucasus	Kotlyarenko, F.	9,121	109
3. South Urals	Vorobyev, I.	8,467	102
4. Moscow	Paristyy, I.	13,157	102
5. Donetsk	Kozhushko, A.	12,828	98
6. Sverdlovsk	Skvortsov, V.	11,308	97
7. Central Asian	Belogurov, N.	9,513	92
8. October	Zaytsev, A.	9,921	85
from 5000 to 8000 cars			
1. Kuybyshev	Poddavashkin, E.	6,817	106
2. Southeastern	Shevandin, V.	5,279	104
3. Gorkiy	Matyukhin, L.	7,673	102
4. Southwestern	Oleynik, B.	5,252	101
5. Belorussian	Andreyev, A.	7,274	101
6. Odessa	Guryev, M.	5,691	98
7. Tselina	Starodub, A.	6,145	97
8. Northern	Predybaylov, V.	6,899	96
9. Kemerovo	Tuleyev, A.	6,037	95
10. Lvov	Grabskiy, M.	7,148	90
11. Baltic	Moshenko, O.	7,049	86
12. Far Eastern	Ivanov, A.	5,431	80
13. West Siberian	Vorodach, A.	5,471	80
Less than 5000 cars			
1. Volga	Tsittel, Yu.	3,826	126
2. Moldavian	Gerasimov, Yu.	2,500	111
3. Transbaykal	Dovgyallo, A.	2,525	105
4. East Siberian	Komarov, G.	4,310	102
5. Alma-Ata	Isingar, N.	4,634	101
6. West Kazakhstan	Panov, Yu.	2,122	100
7. Southern	Puchko, A.	4,954	97
8. Baykal-Amur	Gorbunov, V.	652	95
9. Krasnoyarsk	Babenko, V.	3,702	93
10. Transcaucasian	Blazhiyevskiy, V.	3,189	73
11. Azerbaijan	Abdullayev, E.	1,972	54

### **Rail Traffic Safety Chief Interviewed**

904H0098A Moscow ELEKTRICHESKAYA I  
TEPLOVOZNAYA TYAGA in Russian  
No 12, Dec 89 pp 2-3

[Interview with Gennadiy Ivanovich Kozlov, deputy minister of railways and chief of the Traffic Safety Main Administration, by ELEKTRICHESKAYA I TEPLOVOZNAYA TYAGA special correspondent B. N. Zimting: "A Matter of Vital Importance"]

[Text] The year is coming to a close. It turned out to be a difficult one for railroad workers. The second session of the USSR Supreme Soviet cited the state of emergency on the railroads. The country's parliament was compelled to approve a decree "On urgent steps to ensure the uninterrupted functioning of railroad transport and base sectors of the national economy."

But uninterrupted transport operations are inconceivable unless a high level of traffic safety is maintained. Our special correspondent B. N. Zimting met with G. I. Kozlov, the deputy minister of railways and chief of the Traffic Safety Main Administration, and asked him to respond to a number of questions.

[Zimting] It is common knowledge, Gennadiy Ivanovich, that the central staff of the Ministry of Railways has been cut back by nearly 30 percent. At the same time, a new main administration—for traffic safety—was created. Establishment of the new main administration confirms once again that ensuring accident-free transport operations is considered to be a matter of vital importance. For this reason, please tell us first of all about the objectives and structure of this MPS [Ministry of Railways] subunit.

[Kozlov] Indeed, the extreme situation which has developed in recent years with respect to the accident rate in railroad transport has required that a number of special steps be taken. A USSR Council of Ministers Decree was issued on this matter. The Ministry of Railways Collegium, together with the central committee of the sector's trade union, adopted a combination of organizational and technical measures. They are oriented mainly at familiarizing all railroad workers with accident prevention, specifically defining educational work in labor collectives and utilizing all forms of glasnost, democratization, and economic levers to improve discipline and increase each one's personal responsibility for adhering to rules and official duties. It is no less important that technical facilities to increase traffic safety are to be introduced on a broad scale and new devices and instruments which prevent human errors are being developed.

Organization of a traffic safety administration under the new conditions required that the existing structure be revised, taking into account the introduction of democratic principles, the development of glasnost, and the expanded rights of labor collectives everywhere. In restructuring the form of a traffic safety administration

the main objective was to change the structure of administration in the railroads' divisions and their subunits: the locomotive and car depots, stations, line subdivisions, signals and communications subdivisions, and so forth.

The position of assistant chief of the enterprise for traffic safety has been added to the staffing of the largest collectives.

Taking into account the need to improve the quality of rolling stock repair and the fact that traffic safety violations are most often the reason for their breakdowns, the inspectors of rolling stock repair quality have been removed from the authority of depot managers and transferred to the staffs of traffic safety inspectors in the railroads' divisions. This step has made it possible to reduce the number of locomotive breakdowns on the line of travel; this year there were 500 cases less than last year.

There are four departments in the Traffic Safety Main Administration: the Inspections, Restoration Facilities, Analysis, and Technical Departments. Broad interaction between the main administration's departments and the Safety Department of the VNIIZhT [All-Union Scientific Research Institute of Rail Transport] and departments of the sector's trade union's central committee is provided for in the structural arrangement.

The staff of the deputy chief—the chief traffic safety inspector of the railroad administrations—has also undergone changes. It has been joined by inspector-dispatchers who are on duty around the clock. The functions of the inspector-dispatchers go far beyond the limits of simply recording traffic safety violations. They check out the timeliness with which restoration facilities are dispatched, the provision of assistance from neighboring railroads, and information from the appropriate services when there are accidents with dangerous freight.

The Analysis Department was established in order to learn to draw the correct conclusions from the causes and circumstances of the wrecks and accidents that have already taken place. Part of its responsibility is to draft the necessary recommendations based on the analysis that has been made. These groups have been set up on 22 railroads as well.

[Zimting] One of the effective forms of providing for traffic safety is the preventive work conducted by the public traffic safety inspectors. However, this work has been conducted formally, "checked off," lately at a number of enterprises, including locomotive facilities. What is being planned by the main administration to revive the activity of the public inspectors?

[Kozlov] I agree with you that the public inspectors, who are sincerely interested in improving the state of affairs in transport, have an important role. Their continuous activity, combined with their devotion to the work and



their high vocational skill, help to strengthen the psychological climate of personal responsibility for maintaining traffic safety in the labor collectives.

The Ministry of Railways and the central committee of the sector's trade union approved a new decree last year on public monitoring of traffic safety in rail transport which provides for a substantial extension of inspectors' rights. Public inspectors now are elected at meetings of labor collectives for a period of 2 to 3 years from those workers and employees who show initiative, production pacesetters, labor veterans, and pensioners who enjoy authority and respect in the collective.

[Zimting] And how do you view the role of enterprise managers in providing for traffic safety?

[Kozlov] It is well known that safe work is the direct result of a correct attitude by the worker himself toward adherence to safety rules. It is not always possible to teach this in the educational process; for this reason, it is necessary to educate young workers by the example of older comrades, instructors, and the personal attitude of the supervisors of brigades, shops, and enterprises toward their work and strict adherence to traffic safety rules.

In order to develop such a mood in labor collectives, we need a common policy of supervision, not individual measures. Any violation of the rules, even the slightest infraction, should draw the attention of supervisors at all levels. This will promote the development of a definite public opinion in labor collectives: everyone is responsible for traffic safety! Deviation from this principle, lack of a systematic approach in the work by supervisors, or what is even worse, the concealing of traffic safety violations, have a harmful effect on the moral climate in a collective and contribute directly to the corruption of discipline.

Unfortunately, these negative manifestations have increased lately. At the same time enterprise managers escape responsibility for what their subordinates have done, as a rule. But labor collectives, by not having enough experience and by not realizing at times that traffic safety violations are a heavy burden on the economy of an enterprise and have an effect on workers' wages, are displaying lack of principle in evaluating the activity of slipshod workers and enterprise supervisors who do not provide for the necessary level of labor discipline. One of the principal tasks of traffic safety organs, and primarily the traffic safety inspectors of divisions and enterprise managers' safety assistants, is not to allow such a situation to develop.

[Zimting] Please tell us about the traffic safety situation that has taken shape this year.

[Kozlov] Unfortunately, the condition of traffic safety remains unsatisfactory. Despite the fact that the number of wrecks has declined by 36 percent compared with last year, the number of accidents has remained at the previous level. Wrecks and accidents took place on 28

railroads in 9 months of this year. The worst traffic safety situation has been on the Baltic Railroad (five wrecks and three accidents), the Kuybyshev Railroad (five and three), the October Railroad (three and six), the Southwestern Railroad (three and one), the Transcaucasian Railroad (three and four), and the North Caucasus Railroad (one and five). The situation was also poor on the Alma-Ata Railroad, where there was a collision between two switching units at the Alma-Ata station; a fire broke out, which led to casualties, and a large number of persons suffered injuries and burns.

The Kuybyshev, Tbilisi, Siauliai, Kharkov, Volgograd, Leningrad-Vitebsk, Lvov, and Mineralnyye Vody Divisions have had the most accidents; 23 percent of all wrecks and 37 percent of the total number of accidents in the system as a whole were permitted here.

Passenger train wrecks took place on the Southwestern Railroad (a break in the sliding core of a switch frog), the Southern Railroad (the track was knocked out), the Transcaucasian Railroad (excessive speed), the Volga Railroad (violation of switching operation rules), and the West Kazakhstan Railroad (widening of the track at a switch). Accidents involving passenger trains were permitted on 18 railroads. All services reduced their accident rate except the transport administrations. They are responsible for allowing three wrecks and 12 accidents.

[Zimting] So it turns out that the causes of wrecks and accidents that are repeated most often from year to year remain invariable...

[Kozlov] Yes, and this year most of this occurred because of railfractures, defects in the rail gauge, cracks in the axles of cars' wheel pairs, failure to heed inhibiting signals, the acceptance and dispatch of trains on a route that is not clear, the movement of centralized switches under trains, violations of switching operation rules, and collisions with vehicles at crossings.

[Zimting] In recent years one of the most serious problems affecting not only the interests of locomotive engineers and all railroad workers, but other ministries and departments and the entire population as well, has been the problem of providing for traffic safety at railroad crossings. How do matters stand here this year?

[Kozlov] Freight train wrecks on the Gorkiy and Far Eastern Railroads were caused by motor vehicle drivers' violation of rules at crossings. The accident rate at crossings on the Central Asian, Lvov, Volga, Kuybyshev, and Alma-Ata Railroads and a number of other lines has been high. Over the 9-month period, 169 were killed and 212 injured in crossing accidents. This is a large number, considering that nine were killed and seven injured in all the other wrecks (last year these figures were 40 and 154, respectively). There were no passenger casualties this year.

Near the Strizhi station on the Gorkiy Railroad, the driver of a ZIL-130 vehicle crashed into a freight train traveling at 70 kilometers per hour at an unattended



crossing. As a result of the collision 27 loaded cars were derailed. The vehicle driver was killed. On the Far Eastern Railroad, an intoxicated tractor driver crossed the railroad tracks at an unauthorized point and damaged them. A freight train was wrecked when 24 cars were derailed and a fire broke out.

[Zimting] Which facilities of the ministry are to blame for the largest number of accidents and wrecks?

[Kozlov] As before, the track facilities continue to be responsible for the worst traffic safety situation; track workers are responsible for 51 percent of the wrecks and 37 percent of the accidents. The basic causes: track that is knocked out, cracks in rails, and widened gauge.

Railroad car and locomotive workers are responsible for a great deal of defective output. Although the number of wrecks and accidents attributable to them declined by nearly half as much as last year, the percentage of defective output remains high.

[Zimting] Locomotive facilities are far from being on the honor roll in this regard, and as usual hold second or third place. What can you tell us about this?

[Kozlov] Locomotive brigades were responsible for 96 failures to observe inhibiting signals. This has been and continues to be one of the most common violations of traffic safety rules. In eight cases, these failures led to derailments of rolling stock, in 16 cases they led to locomotives and cars being derailed, and in 69 cases they resulted in damage to switches.

The largest number of these failures took place on the Kemerovo, Moscow, West Kazakhstan, Sverdlovsk, Odessa, Alma-Ata, Central Asian, South Urals, and Transbaykal Railroads.

It is alarming that 25 percent of the run-throughs were committed by engineers who had previously been penalized for violating traffic safety rules, and 20 percent of the engineers have from 240 to 550 hours of overtime work. The number of violations of the continuous work routine by locomotive brigades increased by 45 percent. The situation is especially unsatisfactory on the Baltic, Southern, Southeastern, Sverdlovsk, North Caucasus, Volga, and Dnepr Railroads.

The main reasons for the run-throughs have been: failure to observe signals (53 percent), violation of the regulation on contact with the DSP [control panel of the duty stationmaster] and ignorance of the station TRA (21 percent), sleeping on the locomotive (15 percent), incorrect control of automatic brakes (6 percent), and operating a locomotive while intoxicated (1 percent).

Damage to locomotives and train stops on open lines are widespread, and a large number of automatic couplings are torn off. All this takes place because of the poor quality of locomotive maintenance and repair and the inadequate technical knowledge of locomotive brigades and maintenance personnel. The traffic safety situation that has taken shape at the Novokuznetsk and Topki

depots on the Kemerovo Railroad, Volgograd on the Volga Railroad, Chu on the Alma-Ata Railroad, and a number of other facilities is particularly bad.

[Zimting] What tasks are facing railroad workers today in providing for the safety of train traffic?

[Kozlov] They are the same ones as before: intensification of positive factors based on an increase in the level of traffic safety management; the introduction of new equipment, instruments and devices, implementation of effective forms and methods of preventing the violations of the rules and official instructions in force; and speeding up the solution of social problems.

In locomotive facilities, primary attention and most of the organizational work in the area of traffic safety should be designated to prevent run-throughs of inhibiting signals and runaway rolling stock, to prevent violation of the rules for receiving and dispatching trains at stations, and to prevent the departure of trains with a brake line that has been cut off.

Experience shows that in most of the different ChP [emergency incidents] in transport we cannot blame the equipment or the failures of certain devices. The specific individuals who carry out tasks and their laxity and incompetence are at fault.

[Zimting] Thank you for an interesting discussion.

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#### **Computer Aids Rail Operations Chart Preparation**

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TEPLOVOZNAYA TYAGA in Russian  
No 12, Dec 89 pp 12-13

[Article by O. I. Monakhov and V. I. Urdin, candidates of technical sciences; L. D. Novokreshchenova, engineer at the MIIT [Moscow Institute of Railroad Transport Engineers]; and N. P. Varnakov, locomotive engineer at the Zaslauks Depot: "Automated Preparation of Operations Charts at Depots"]

[Text] One of the ways of economizing electricity and diesel fuel is by improving the management of train operations recorded on operations charts. The development of these charts should provide for minimum consumption of electricity or diesel fuel at the en route speed limits that have been established and with unconditional adherence to the traffic schedule, which is an exceptionally difficult task.

This is related to the different factors which influence the engineer's selection of a traffic control method: the train's weight; the axle load; the technical condition of the diesel, which determines its traction and thermotechnical characteristics; the track profile; speed limits; the traffic schedule, and so forth. It is not easy for the engineer to take into account the diversity of similar factors, especially as he is watching instrument readings

and traffic light signals, maintaining communication with the dispatcher, and so forth in addition to controlling the train. With all this to contend with, he tries to economize electricity and fuel.

At present, efficient routines for managing trains are developed on the basis of the generalized experience of first-class engineers. However, this approach cannot be considered perfect because of uncertainty that the management procedures are really the best ones. Moreover, with the frequently changing nature of traffic (the speed limits, the schedule, the number of cars, and so forth), the method suggested requires an accumulation of considerable transport experience, which makes it possible to work out the appropriate efficient routines for train management. With regard to what has been stated, the need has arisen to automate preparation of the best operations charts.

In addition, the need to make traction computations is due to the numerous unresolved problems of setting norms for fuel and electricity consumption. There is no scientifically sound method of calculating the norms. In practice, a statistical method, involving arithmetical mean values, is utilized in calculating the various components: the flow of train traffic, the skill of the engineers, the operating conditions, and so forth. The subsequent planning "from what has been reached" does not always stimulate a search for reserves in bringing about more economical consumption of power resources.

A study conducted jointly by the Moscow Institute of Railroad Transport Engineers (MIIT) and the Zaslauks Depot on the Baltic Railroad set the objective of developing an automated system for preparing energy-efficient train operations charts utilizing a computer under depot conditions. The computations depend first of all on the availability at the depot of a minicomputer of the "Robotron" or TAP-34 type with limited speed and main memory, and secondly, on the opportunity for engineer-instructors who are not programmers to work at them.

The problem of drawing up energy-efficient operations charts is formulated in the following manner: we must find the relationship of the engineer's control unit positions on the line of travel which ensures that the train operates in the section required while adhering to the

assigned speed limits and the schedule with minimum electricity or fuel consumption.

Solution of this problem is based on mathematical modeling methods and nonlinear programming. The mathematical model of a typical diesel-traction train on the Baltic Railroad, taking the dynamics of a diesel engine into account, was developed at the MIIT. Its conformity was verified by correlation (with the same control) of the experimental and calculated curves for the speed and time for a passenger train to pass a station on one of the railroad's sections 50 kilometers in length. This verification established the practical coincidence of the curves for speed, and the difference between the experimental and calculated time to pass the station does not exceed plus or minus 0.5 minutes.

In the method worked out to calculate the best operations charts, it must be noted that it is not important which kind of train (passenger or freight) or power resources (electricity or diesel fuel) are used; it is sufficient to enter the appropriate changes in the traction and thermotechnical characteristics and in the series of parameters of the objective controlled.

The program of calculations is in the BASIC language, intended for use with personal computers (for example, the "Robotron," "Iskra," "Elektronika S-85," "TAP-34," and others) in the "engineer-computer" dialogue mode.

In working with the program, the engineer need not provide data on the section profile, the traction and thermotechnical characteristics of the locomotive and other data, since all this has been entered in the computer memory beforehand. In the dialogue mode, the engineer is required to respond in sequence to questions illuminated on the display screen, utilizing the computer keyboard. A fragment of the dialogue in the Riga-Valga section for passenger train No 36 between the stations of Tsis and Valmiyera is provided in Table 1.

The current results of the calculations appear on the screen in the form shown in Table 2 and Table 3. The points marking the beginning and end of a section of track in which the engineer's control unit is constant are indicated on the left. The speed and time correspond to the end of the section of track indicated. When the computations have been completed, a printout is provided, in the number of copies required, of the best possible operations chart for firsthand use by the engineers in managing the trains (See Table 3).

Table 1: Fragment of the "Engineer-Computer" Dialogue

Text Illuminated on Computer Screen	Data Entered on Keyboard by Engineer
Indicate track direction (even, odd) between Riga and Valga	Even
Specify departure station	Tsis
Specify arrival station	Valmiyera
Specify number of cars	18
Specify departure time at Tsis station, in hours	20
Specify departure time at Tsis station, in minutes	34

**Table 1: Fragment of the "Engineer-Computer" Dialogue (Continued)**

Text Illuminated on Computer Screen	Data Entered on Keyboard by Engineer
Specify time passing stations:	
—Razyezd [Siding] 98 Kilometers Station (hours)	20
—Razyezd [Siding] 98 Kilometers Station (minutes)	41
—Lode Station (hours)	20
—Lode Station (minutes)	47
—Bale Station (hours)	20
—Bale Station (minutes)	53
—Valmiyera Station (hours)	21
—Valmiyera Station (minutes)	00
Specify power coefficient (1; 0.95; 0.9; 0.85)	0.95
Specify number of iterations	100
Specify if you need intermediate printout (yes-1, no-0)	0
Specify number of copies of best operations charts required	10

**Table 2: Fragment of Current Results of Optimizing Computations**

104.3-104.9 kilometers	PK [control unit position](10) = 8	V = 63 kilometers per hour	T = 20 hours 47 minutes
104.9-105.3 kilometers	PK (11) = 0	V = 62 kilometers per hour	T = 20 hours 47 minutes
Lode Station:			
S = 105.3 kilometers	T = 20 hours	47 minutes	V = 62 kilometers per hour
105.3-106.4 km	PK (12) = 14	V = 81 kmh	T = 20 hours 48 minutes
106.4-107.2 km	PK (13) = 14	V = 93 kmh	T = 20 hours 48 minutes

**Table 3: Best Possible Operations Chart on the Tsisis-Valmiyera Section**

104.3-104.9 km	PK (10) = 11	V = 68 kmh	T = 20 hours 46 minutes
104.9-105.3 km	PK (11) = 0	V = 67 kmh	T = 20 hours 47 minutes
105.3-106.4 km	PK (12) = 13	V = 83 kmh	T = 20 hours 48 minutes
106.4-107.2 km	PK (13) = 7	V = 91 kmh	T = 20 hours 48 minutes
107.2-108.1 km	PK (14) = 15	V = 93 kmh	T = 20 hours 49 minutes
Fuel consumption 48.8 kilograms			

Results of the numerous calculations made by the authors for different trains on different sections of the Baltic Railroad, using the program that was developed, confirmed the practical suitability of the method suggested to prepare energy-efficient operations charts. As shown by the research which was conducted especially, the number of iterations (calculations) that are sufficient to obtain acceptable results (3 to 8 percent savings in diesel fuel) range from 100 to 300, which requires 1 to 3 hours of machine time on the "Robotron" computer for calculating a sector 40 kilometers long.

Although specific results were obtained for diesel-traction passenger trains (the TEP60, 2TEP60, and TEP70), the dialogue system cited may be used (with minor alterations) to draw up energy-efficient operations charts for other types of traffic.

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### Azerbaijan Rail Situation Noted

904H0079A Moscow GUDOK in Russian 2 Dec 89 p 1

[Article by V. Vasilyev: "Extraordinary Measures"]

[Text] On the third day after the strike on the Azerbaijan Railroad began, approximately 900 trains destined for the Transcaucasus area—410 were on their way to Azerbaijan—had been abandoned on the network. A total of 30,000 loaded railcars for the republics in this region had come to a standstill at various points on the network. Operations both within the railroad and at external junctions had completely halted on the Azerbaijan Railroad.

These data were mentioned on 30 November during a selective meeting which G. Fadeyev, the first deputy minister of railways, conducted. The accumulation of freight on the North Caucasus, Southeastern, Donetsk,

Southern, Kuybyshev, and other railroads was enormous. There was not a single mainline in the network which did not experience the consequences of the strike by the Azerbaijan railroad workers. The Far Eastern Railroad managed its shipment plan by only 80 percent, the BAM [Baykal-Amur Mainline] was without a railcar pool in November, the East Siberian Railroad failed to receive 16,000 railcars. The Krasnoyarsk people failed to load 800,000 tons of coal last month due to the shortage of rolling stock....

What steps did the meeting participants propose? In the opinion of many mainline directors, it is necessary to organize the accelerated processing of rolling stock, reduce the turnover time for a railcar and, thereby, reduce losses.

In the Transcaucasus region, only one junction—the station of Veseloye, which is capable of passing 20 pairs of trains—is open at the present time. Considering the difficult situation in the republics with respect to food, fuel, building materials, and other goods, it was suggested that the passage of passenger trains be reduced to a minimum and that additional freight trains be dispatched instead of them.

The Southeastern Railroad already has 30 million rubles in losses because they did not receive trains from the Azerbaijan Railroad. In the opinion of V. Shevandin, the railroad's chief, it is necessary to charge this to the Azerbaijan Railroad workers. Also: more than 400 railcars, destined for the republic, are standing still on the railroad. Permission to sell the cargo on the spot is required. Its spoilage and theft will thereby be prevented and scarce rolling stock will be freed....

A special commission, which is working on the problem of the Transcaucasus area, has been established in the Ministry of Railways. Since 27 November, the dispatching of all freight for Azerbaijan has been completely halted, partially with the agreement of USSR Gosznab, to the North Caucasus and Transcaucasian railroads and Armenia. A proposal has been sent to the USSR Council of Ministers about selling freight destined for the Azerbaijan SSR on the spot.

A decision has been made to appeal to the workers, railroad workers and party and soviet agencies in Azerbaijan for wisdom and a halt to the strike.

#### **Vorkuta Strike Impact on Rail Operations Examined**

*904H0079B Moscow GUDOK in Russian 2 Dec p 1*

[Article by Yu. Vakhnin, GUDOK correspondent: "Grants Instead of Wages"]

[Text] Vorkuta-Yaroslavl—The losses, which the Northern Railroad suffered because of the strike by the Vorkuta miners, have been calculated. They exceeded 5.6 million rubles during November and the last week of October.

Every day, the Northern Railroad has up to 4-5 "abandoned" coal routes. The railroad stations, which service the Cherepovetskiy Metallurgical Combine, have lost their normal work rhythm and the local transport workers have not managed to distribute the coal arriving on their sidings: It literally goes from the wheels into coke-oven batteries. You see, however, it is still necessary to fill stocks in the storage areas. Although the daily loading in Cherepovets exceeds the norm, the people and machinery are working under a great strain—it is not easy to restore a normal efficient rhythm. All of this also results from the strike—it is the result of the protracted stoppage of the coal conveyor line.

Of course, "abandoned" consists involve unjustified losses in material and physical expenditures; however, in those, five million "odd" were not found. Why?

V. Rogov, deputy chief of the Northern Railroad's shipping service, says: "Alas, the echo of the collective irresponsibility of the Vorkuta people resounded so far that you could not immediately determine its boundaries—to whom or to what it rolled. Generally, speaking, however, a method for calculating the losses from the strike has been worked out. It is a bitter experience; however, we now have it...."

It is understandable that the amount of direct losses included the demurrage of the rolling stock, losses for initial operations and freight turnover, and mandatory fines for the underloading for the destination railroads. All of this fully fell to the lot of the Vorkutinskoye Division. The railroad workers on the entire Pechora run: the Solvyehodskoye and Sosnogorskoye divisions, found themselves short trains and correspondingly lost income. The Vologda people, the last in this coal chain, inflicted losses on the final operations. Moreover, metal shipments sharply fell, and the dispatch of coke and charge (coal screenings for thermal stations) was reduced and subsequently completely halted. Consequently, all of the other divisions of the Northern Railroad partially did not receive cargo to be transported. What else?

Vladimir Petrovich continues: "One should recall how we worked at the beginning of October. The mood was to outstrip the plan for mining and shipping coal. Everyday, we exported more fuel from Vorkuta than the increased government quota prescribed for us and our cooperating partners. Everything was attuned to this rhythm. We kept to it—millions of profit above the plan were entered on the accounts of both the coal miners and the railroad workers."

I have already had an occasion to write that the Vorkuta locomotive engineers, not having any work, were compelled to "exist" on virtual grants—the two-thirds of their actual salary which was stipulated for forced demurrage; however, as they say, this is only the tip of the iceberg. The real decrease in wages during this past November will be legalized as the base for taxes and the labor payment fund during the fourth quarter of next year even if normal pay is added on for 100-percent



fulfillment of the plan. As the specialists explain, the bank will apply the appropriate sanctions. Something else is also clear: one will not be able to introduce—as planned—a number of benefits for certain categories of railroad workers: for night-time pay, providing hot food, etc., since one will not manage to accumulate the required assets by the stipulated time. Who will compensate the northern people for all this?

However, the railroad workers still do not have any confidence that one will manage to return those five million odd rubles which are really missing in their bank accounts. They are saying: "We will submit to arbitration, but how will he judge." There is no confidence that truth will triumph.

The authorized number of empty consists has also not been fixed for several days in the dispatch schedules. A large number of gondola cars had to be sent in November to the country's east—to the Kuzbass and, even further, to Neryungri. Of course, one will not manage to return them now and restore trips by empties to the polar area in days.

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Vorkuta's November debt was determined on 30 November after the reporting hour: More than 920,000 tons of coal were not dispatched to consumers.

A debt is already being planned also for December. The average daily demand for the supplying of railcars for loading during the first 10 days of the new month is 200 units below the normal one. This exactly corresponds to the daily shipment of fuel from the Vorgashorskaya Mine, which continues on strike.

As before, a discussion of the situation and voting have continued in the Vorkuta mines. The miners are expressing a lack of trust in the government, which—they think—is introducing a split in the worker's movement by its latest decisions. In particular, they are talking about the dissemination of the procedure for preserving northern privileges only for the miners. The railroad workers are also expressing their opinion that this decree should concern everyone who works in the polar area and not be based upon the departmental affiliation of some group of workers or other.

#### **Deputy Minister, BAM Chief Comment on BAM Startup**

904H0077A Moscow GUDOK in Russian 3 Dec 89 p 2

[Interview with Yefim Vladimirovich Basin, deputy minister of transport construction and Bamtransstroy PPSO chief, and Valeriy Aleksandrovich Gorbunov, chief of the Baykal-Amur Railroad, by Tamara Andreyeva, GUDOK correspondent; date and place not given]

[Text] An unusual train has just left the station of Lena for the capital of BAM [Baykal-Amur Mainline]. Dozens

of builders and operating personnel had received tickets for it—tickets which were not sold at railroad ticket offices. These were honored passenger tickets and were given to those whose work brought the railroad's handing over for permanent operation closer. A train just like it also left Komsomolsk-na-Amure. Both were hurrying to Tynda for the holiday....

On the eve of the momentous day, Tamara Andreyeva, our correspondent, interviewed Yefim Vladimirovich Basin, deputy minister of transport construction and Bamtransstroy PPSO chief, and Valeriy Aleksandrovich Gorbunov, chief of the Baykal-Amur railroad.

[Andreyeva] The main event in the life of BAM workers has been completed—the entire 3,000-kilometer railroad has been handed over for permanent operation. That, which the earliest explorers dreamed about at one time, has come true. Today, one can board a train and travel from Baykal to Amur. The 15-year era of construction has been completed. What was most memorable for you during it?

[Basin] Perhaps the construction of the Severomuyskiy by-pass. It was more difficult than anything else. Whereas they commissioned us to build it during BAM's first years, we were not able to do this either within the timeframe (two and a half years) or with quality. Only the experience and the high skill, which we acquired under the extreme conditions of the new construction project, permitted us to solve this task. In addition, the unusually harmonious work with the railroad workers also helped. I think that they wanted to become masters of a real and not a "dotted" railroad quickly.

The Bamstroy Mekhanizatsiya and Zapbamtroy Mekhanizatsiya trusts managed their assignment on the by-pass brilliantly. The experts have given a high rating to their subgrade. The bridge builders in the Mostostroy-9 and Mostostroy-10 trusts did not work badly. They caught a difficult work sector: Two-three man-made structures were built on each kilometer of the by-pass. The Bamtonnelstroy tunnel workers also worked well. They built the first of the two tunnels in one and a half years—this was 1.5-fold faster than the plan proposed.

The last BAM priority section sticks in one's memory because of the mass of questions solved during it. Boris Nikolayevich Ilin, the project's chief engineer from Sibgiprotrans, lived right on the by-pass during the last months as, incidentally, did his other designer colleagues and many builders and railroad workers. Representatives of the state commission traveled over the by-pass in the cab of the first electric locomotive and personally convinced themselves that everything was ready. Only then was the certificate signed.

[Gorbunov] All of these years consisted of strenuous and heavy work. However, it is well that the Ministry of Railways treated us seriously from the very beginning—although, at first, they forgot about BAM at the selectors. They ask: Who has what loading and unloading, and will they get to the Gorkiy Railroad? And suddenly: "Aha, we

have BAM. What are you doing there?" At the time, we were loading several dozen railcars with lumber and coal. Only laughter—what kind of railroad is this? Nevertheless, they held us strictly accountable for fulfilling the indicators. This pulled us up and disciplined us.

Of course, we wanted to start the railroad up more rapidly and to load it. Who could believe five years ago that it would be possible to hand over the priority projects during the third quarter? However, we achieved this. The railroad workers were active participants in the construction process—I can say this without any false modesty. They signed a subcontract and fulfilled the start-up and adjustment work. As a result, we have at our disposal today specialists that other railroads do not have; it would be a pity if their experience and skills do not find a fitting use.

[Andreyeva] I hope that this will not happen. You see, BAM is not finished—1.5 billion rubles of capital investment still remain unassimilated. In addition, a railroad to the north—the Amur-Yakutskaya mainline—is being built slowly and with difficulty. In a word, only the regular construction phase of the steel mainlines in the North's uninhabited rayons has been completed. In your opinion, what is its result?

[Basin] Recent years have been a "black period" for BAM. Much unjustified criticism has been poured onto it. They said that it was a labor of Sisyphus and that no one needed the project. I personally think that when the railroad starts operating and when trains start moving, all the discussions about it being unnecessary will cease. Not we but history will judge what has been accomplished. They did not start BAM up for the sake of a report. The start-up is beneficial from the point of view of the economy. First, even before the end of the year it will permit several million rubles of state subsidies for the railroad to be saved. I do not think that it is necessary to explain what these millions will mean when there is a deficit in the state budget. Second, today, the country is struggling with reducing incomplete construction. BAM's commissioning will permit incomplete construction to be reduced by 1.5 billion rubles. Very likely, this is more than half of the funds allocated to our ministry this year.

[Gorbunov] Any sensible person understands what a second—and the shortest—route to the ocean means to the country. BAM is shorter than the Transiberian by 500 kilometers on the average. Three years ago, your colleagues from IZVESTIYA tried to elicit from me when BAM would begin working for the national economy. I replied that it was already working. The delivery of timber for export by the Tyndales Association alone has brought millions in profit to our country. Incidentally, we received nothing from these millions—the railroad still receives three kopeks for 10 ton-kilometers regardless of whether the freight is going to Japan or Central Asia.

[Andreyeva] A great deal of money was expended on building the second route to the ocean—approximately eight billion rubles. These could have gone for other needs—there are enough holes in the country's economy. Therefore, it is very important for us to know what the railroad will provide the individual?

[Basin] Even Lomonosov said that Russia's power would increase in Siberia. I would add: with BAM's help. It has opened up a path to an underground storehouse that has still not been "opened up." Whereas today the miners in the Donbass select seams that are up to a half meter wide, these seams are up to 50 meters wide in the southern part of Yakutia—and, moreover, almost on the surface. It would be worthwhile, incidentally, to calculate what is cheaper today.

BAM is also very important as a transportation artery. We see that the work of rail transport in the country's European part is slightly feverish and that our economy is on the verge of a crisis. The second route to the ocean provides an opportunity to maneuver. The railroad is also necessary for communications with the countries in the Asian-Pacific Ocean region. I have met with Japan's deputy minister of rail transport and with the heads of many foreign firms. They are displaying great interest in BAM. They are still delivering freight to Europe by the sea route and this takes up to 26 days. BAM will help to reduce the time to 14 days. In business, saving money is, as is known, also saving money. It is possible to mention briefly what the railroad has provided the BAM people: a good school of life and a native home. You see, many have taken a very strong liking to this land and do not want to leave it. Part of those, who left these areas, are returning.

[Gorbunov] Figures are relative. Tens of billions of rubles are invested annually in the country's agriculture. It is not necessary to talk about what we are getting from these—one only has to look at the shelves in the stores. A total of eight billion were assimilated on BAM over 15 years. Judge for yourselves: Is this a lot or a little? BAM is beneficial both to the individual and to the country—although it is difficult to allocate and distribute this benefit to shelves. For example, state expenditures to deliver certain types of freight will be reduced. The speed of delivery will also change. Quite recently, hundreds of freight trains were abandoned on the Transiberian. Vessels stood idle in ports waiting for the freight, and factories and plants worked intermittently because they needed raw material—the consists carrying it were not able to break through the "narrow" throat of the railroads adjacent to us. The colossal losses were also reflected in production costs and, in the final analysis, in the consumer's pocket.

The situation is now changing. Moreover, we are now talking about a so-called "transcontinental bridge" across the Soviet Union. A delegation from the largest railroad in America recently visited us. Thus, one can

fully expect that BAM will open up a "door" to international shipments. This will bring in the currency which our country so needs.

[Andreyeva] However, there were not only triumphal pages in the history of the construction project. BAM experienced both glory and ignominy. One of the reproaches, which they threw at the BAM people, was that the railroad was being built slowly and this was why the initial period for completing the project was postponed.

[Basin] This happened because insufficient assets were allocated. During those years, Gosplan failed to provide the construction project almost 2.5 billion rubles—although they had been written down in a state decree. In addition, insufficient study of the natural and geological conditions along BAM's right-of-way had an effect. The Severomuyskiy mountain ridge was a serious obstacle. The construction of a 15-kilometer tunnel was delayed because they unfortunately selected a very unfavorable route for it—one where there were tectonic fractures, enormous rock pressures and hot underground water. Generally speaking, it turned out to be unrealistic to finish it on time. That is why it was decided to commission BAM in 1989 with a so-called by-pass—a 54-kilometer, electrified, open right-of-way that crossed the Severomuyskiy mountain range. They have postponed the tunnel's commissioning until 1992.

[Gorbunov] The builders constantly overfulfilled the construction and installation work plans. This overfulfillment was not insured by material resources. Incidentally, this is a characteristic feature of the project. Generally speaking, one can say that BAM was built in the amount to which money was allocated. If there had been more of it, they would have constructed the railroad more rapidly and they would have built more housing, schools and social, cultural and domestic installations.

[Andreyeva] Generally speaking, was it worthwhile to hurry the handing over of the railroad if everything had still not been built according to the technical design?

[Basin] BAM is not a plant which one cannot start up until you tighten the last screw. The railroad consists of thousands of installations, some of which were built 10 and 15 years ago. If you do not begin to use them, they will begin to collapse like a house in which no one lives. Yes, BAM has been turned over incomplete and not with its full design capability. According to the estimates of the designers, it has been built sufficiently to insure the shipment of nine million tons from Ust-Kut to Tynda and six—from Tynda to the Urals. Of course, the technical design—even when it is completed—will not satisfy all the railroad workers's needs. However, as they say, if you wish to live well, work well. The railroad will earn assets and we will build it.

[Gorbunov] We did not hurry the start-up. What was the haste? The question was purely an economic one. Quite a bit of money has been invested in BAM—one can

receive a return from it today. If we postponed this until the last nail had been driven, no one would have called us wise bosses. The railroad has been handed over based on priority complexes and they have been calculated at 9-10 trains a day. We will take them upon ourselves, providing a rest to the Transiberian and an opportunity for it to engage seriously in repairs and electrification. BAM, of course, has been designed for a large volume of freight traffic; however, it is necessary to build secondary tracks, dual-track insets, railway sidings, and much more for this. It is quite possible that it will be necessary to expand the railroad even further when this territory is developed.

### **BAM Startup Hurts Neighboring Railroad Workers**

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27 Dec 89 pp 1-2

[Article by A. Durov, GUDOK correspondent: "Neighbors or Rivals?"]

[Text] Chita—A total of 2,200 railroad workers on the Transbaykal can lose their jobs with the startup of BAM [Baykal-Amur Mainline]. One is near a financial precipice.

The Svobodnyy Division is the easternmost one on the Transbaykal. It has the largest volume of freight operations and carrying capacity reserve on the railroad. Until recently, it was the most stable division with respect to its operations and received very high profits. Suddenly it moved "by itself" to the edge of a financial precipice. Beginning in May and with the exception of September, the division has not fulfilled its freight shipment plan. What is the matter? What catastrophe has occurred here? Ye. Yasineva, a journalist, addressed this question to V. Znayemskiy, the Svobodnyy Division chief.

[Znayemskiy] Indeed, it is a catastrophe. It occurred in May when the eastern section of the Baykal-Amur Mainline was handed over for permanent operation. Our division was the most vulnerable one to the change in freight traffic and the most unprepared for this. Every day, five trains travel on the northern track, avoiding the Trans-Siberian and us. They carry Berkakit coal for Japan. As a result, we have lost 2.1 percent of our freight turnover. In monetary terms, this is approximately two million rubles. That is a very large sum for us.

[Yasineva] Is there a way out of the situation that has been created?

[Znayemskiy] We still do not see any other way out except a reduction of approximately 1,400 railroad workers. This is an extreme measure; however, we cannot otherwise move away from the financial precipice. If we do not manage to avoid a reduction, dissatisfaction will be evoked among the people and there is enough dissatisfaction now. People are dissatisfied because too little housing and social, cultural and domestic projects are being built and because wages are



not being paid in a timely fashion. We are short assets. This is especially painful to a collective which knows that it is earning quite a bit of profit; however, 73 percent of it goes to the state budget. Because of the diversion of part of the railcar flow to BAM, we are now working at a loss. One cannot at all understand how we will live in the future.

[Yasineva] Do the Ministry of Railways and the railroad's administration really not know the consequences to which the transfer of the coal routes to BAM are leading?

[Znayemskiy] Of course, they know. There are many specialists there. Our collective wrote a letter to Gosplan but no one has taken any steps. In general, I can tell you a lot about the "miracle" of planning. Let us take one example. For decades, no one has been able to solve the problem of the lack of balance between the quarterly plans, which come down from "above," and the monthly plans, which are born "below" on the spot. This is why it turns out that—according to the state order for the first nine months—the division should have transported 388,000 tons of freight more than according to the total monthly plans. Because of this, we suffered losses of 3.5 million rubles. And you ask whether they know in the Ministry of Railways and the administration what they have created....

[Yasineva] Nevertheless, one cannot understand why they have not adjusted the freight turnover plan for you. You see, the situation has changed and not because of your fault. You have probably not turned only to Gosplan?

[Znayemskiy] Of course, we have repeatedly written to the Ministry of Railways, to the editorial boards of the central newspapers and countless times to the Transbaykal Railroad's administration. However, our appeals are like a voice crying in the wilderness. True, the collective has received replies signed by V. Ginko, first deputy minister of railways, and N. Nikitin, the chief of the Main Economic Administration and now a deputy minister. They cite the fact that the railroad's administration possesses insufficient rights in planning.

[Yasineva] What about the administration?

[Znayemskiy] It is silent.... We are finishing this very difficult year in this manner.

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[Our correspondent's opinion]

The relationship of the Transbaykal Railroad workers to the Baykal-Amur Mainline, which recently began operating over its entire length, is a special one. Look at a map and you will see that BAM has "covered" the Transbaykal railroad in the north. In a certain sense, it has "duplicated" it and that is why it will have a much stronger effect on its further operations (if one compares it with the neighboring East Siberian and Far Eastern ones).

When the people, who had become accustomed to hissing their recent idols, began to run down BAM thoughtlessly and maliciously, calling it the "longest memorial to stagnation," the Transbaykal people well understood that this was not so. The thin thread of the Trans-Siberian between Baykal and the ocean twanged during the last decade because it was strained beyond its strength and was operating at the limit of its capabilities.

When recently congratulating the BAM builders, A. Dovgyallo, the Transbaykal chief, said: "While achieving a productivity 35 percent higher than on U. S. railroads, our railroad, which is the second in the country based on the intensity of freight operations, acutely needs further radical reconstruction. BAM, which has been handed over for permanent operation, will provide an opportunity to do this with the least losses and will permit us to work better and more reliably." However, the relationship with the neighboring railroad in Chita, Svobodnyy or Skovorodino is not limited to this expression.

When the BAM epoch began, the Transbaykal Railroad did not simply respond to the trumpet call for help for the national construction project but fully took upon its shoulders the freight for the Baykal-Amur Mainline, whose main flow passed through the Skovorodino Division. All branch lines were jammed with trains, and even enterprise workshops were transformed into warehouses at times. The railroad soon "gave" BAM its promising chief, V. Kalinichev, who became a deputy minister and chief of the construction board. This was the first—but far from the last—important personnel loss. Based upon the most modest of calculations, the railroad has given its northern neighbor 9,000-10,000 of its workers during the past 17 years.

Yes, how could one not give when the view that a significant portion of BAM will be dragged to the Transbaykal, was cultivated for a long time. Subsequently, the inexorable levers of material interest began to operate. For the same work, the BAM people received 1.5-fold more than the Transbaykal Railroad workers although living conditions on the Skovorodino Division were perhaps worse than on BAM. If one considers the difference in the supply of housing and the prospects for receiving it, it becomes clear why hundreds of locomotive crews, experienced track workers, railcar-building workers, and other workers moved from the Trans-Siberian to the north. The popular slogan during those years: "A green light for BAM freight!" was transformed into another one: "...for BAM people."

In a word, during construction, the Baykal-Amur gave a lot of trouble to the Transbaykal railroad workers, especially its leaders and traffic organizers. However, there were no curses directed at the "construction project of the century" because everyone understood: The country needed the new mainline and the Transbaykal Railroad



itself, where the engineering structures and upper structure of the track were in an extremely neglected condition and where the short summer and continuous stream of trains did not permit doing everything that was necessary, also needed it.

Electrification is taking place with great difficulties for these reasons. Several railroad specialists, in particular, O. Ladygin, deputy chief of the railroad, think that shipping at the limit of its carrying capacity will inevitably lead to repeated interruptions in traffic and will decrease work efficiency on the whole. In order to establish the optimum rhythms for traffic and productivity, it is necessary to reduce freight turnover. Having taken upon itself a portion of the through trains, BAM is capable of helping to do this. Incidentally, the northern neighbor is already helping the Transbaykal people and is partly "repaying the debt"—Bamtransstroy PPSO subunits have taken upon themselves the major portion of the contract construction work in the electrification.

When trains traveled over the entire BAM, relations between the two railroads acquired a new tint. They became partner ones often with rivalry elements. The Transbaykal railroad is basically a transit one—it receives approximately 90 percent of its income from freight shipments. When the coal routes from Berkakit went to the east over BAM this spring, bypassing the Transbaykal, the Svobodnyy Division immediately felt it.

During the fall, the entire Transbaykal Railroad began to face losses. Freight shipment volume fell by eight percent because of the diversion of a portion of the railcar flow from the Trans-Siberian to BAM. By the end of the year, the Transbaykal was short approximately five million rubles for this reason and it can lose approximately 50 million over the course of next year. In this case, the fund formation portion of its profit will be reduced almost twofold. Here, there is something to seriously think about. And not only for the railroad. The question automatically arises: "Why did they not think about this before?"

One of the reasons is the fact that the opinion that BAM would primarily work to develop the very rich region adjacent to it—a view which was reinforced by studies from Giprottrans [State Design Institute for Transportation] institutes—made the rounds for many years. Although it has been clear to everyone for several years that the territorial industrial complexes would not begin to be built here soon, everyone is seemingly waiting until Academician Aganbegyan, the main theoretician for the BAM zone's integrated development, arises from his sudden "non-existence" and says: "What are you waiting for, lads? The state still does not have any assets. It is necessary to switch to one's own money."

It is quite natural that the unprofitable Baykal-Amur needs to build up its shipping volumes. They handed over the eastern section of BAM for permanent operation as soon as it was spring, and the coal routes traveled

over it immediately. Until recently, the situation was at times such that empty gondola cars, whose ferrying does not provide any profit, were supplied for these routes by the Transbaykal Railroad upon Ministry of Railways empties disposition instructions. A murmur was heard at the time: "A bagel for them, but the hole from it for us?"

You will do nothing—the times are changing. Strict economic relations are coming to replace slogans and enthusiasm. A serious financial condition also pushes one to them. The Transbaykal, for example, is short approximately 45 million rubles, according to preliminary estimates, to fulfill the planned 1990 social programs. As they say, the railroad is counting every kopek. All of this cannot fail to affect mutual relations with its northern neighbor.

The generally poor situation in transport is also having an effect. Freight traffic on the Transbaykal fell by 9-10 percent by the end of the year. Ill-informed people often connect this with BAM's startup. When they find out that it will be necessary to release approximately 2,200 people from the operating staff in order to maintain the wage level and labor productivity, they will be filled with indignation: "Why did they build BAM if there is nothing to transport on it? They will leave us without work!"

In the first place, however, it will hardly be necessary to release anyone. It will be sufficient to cease hiring new people for a time. In the second place, if one is to be accurate, one must say: "BAM left us without abnormal and dangerous work." In point of fact, now—when freight traffic has fallen—the road has begun to operate under normal conditions but they cannot break themselves of the habit here. It is sad but a fact: Many locomotive crews complained about overtime work and demanded normal rest. However, when the overtime disappeared and it was possible to rest fully, they grumbled that wages had fallen.

BAM's inclusion in Trans-Siberian shipments is not occurring without pain—figuratively speaking, because a BAM railcar finds itself "without shock-absorbers." When it is connected at full speed to a Trans-Siberian train, the shock will be rather severe. Basically, it fitted the Transbaykal. Neither the ministry nor the railroad itself cushioned it. It is difficult to say why. Perhaps because "forward looking people" are looking only under their feet and are not stretching out their hands to forecasts and to the development of strategy and tactics.

Otherwise, how can one explain the fact that it was only in August, when the railroad defended its plans for next year in the Ministry of Railways, that the serious financial problems, which are connected with BAM's startup, rose to their full height. As they rose up in August, so they stand now also. December is ending and there are no interconnected plans for the operation of the two neighboring railroads.

It would seem that this should disturb the Transbaykal people most of all; however, their initiative is sufficient

only for independently finding out from their neighbors how many trains will travel on what BAM sections next year. The Ministry of Railways stubbornly does not want to "send down" the appropriate figures. Discussions are taking place on the Transbaykal to the effect that one must achieve changes in financial indicators or the centralized Ministry of Railways Central fund deduction percentages in financial and economic management, but nothing is heard about practical steps. Meanwhile, rumors circulate on the railroad—a dangerous thing for a weak and reoriented consciousness.

Nevertheless, one cannot doubt that the troubled times in the relationships between the two railroads will pass. BAM must still gather a reserve of stability, postpone shipments to the summertime when the route thaws out, and increase freight turnover. During this work, the two neighboring railroads will "touch each other" and then, it is necessary to hope, the Transbaykal railroad workers will certainly sense the shoulder of their neighbor and his support and will taste more rhythmical and dependable work.

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We would like to share our correspondent's optimism that the "troubled times" in the relations between the two railroads will pass and that everything will settle down and be in its place. We would like to believe this; however, the solution of similar problems has been postponed to later too frequently, although the fate of many of our fellow citizens depend on them. You see, 2,200 railroad workers are being threatened today with a completely real discharge. Who has thought about their fate and who will defend them?

In this situation, it is not so much the explanations and justifications of the leadership of the participating Ministry of Railways main administrations and the Transbaykal Railroad—they have already done everything that they could—that interests us as the position of the trade union Central Committee. Judging from its latest and numerous statements, its primary and sacred duty now consists of one thing—a zealous defense of the workers' rights. The last AUCCTU plenum approved the position rather simply. The Transbaykal is a case where there is an opportunity to realize intentions and prove to the trade union leaders that matters stand as declared and not otherwise.

#### **Volga Railroad Poor Performance Scored**

904H0086A Moscow GUDOK in Russian 19 Dec 89 p 2

[Report by GUDOK correspondent S. Kasatyy: "Keep Your Eyes Open and Fill Them"]

[Text] **Saratov-Volgograd—About 5 million tons of freight were not shipped by the Volga Railroad this year. More than half of it is scarce petroleum products.**

The new chief of the railroad came to Saratov recently and uncovered something new in literally several days.

He was visiting the Nalivnaya filling station and discovered a half dozen tank cars standing idle there that had been written off for some enterprise. They were clean, serviceable, and capable of taking on hundreds of tons of liquid fuel.

Naturally, the question was asked: why are they idle? After all, 6 months ago the ministry had ordered that such empty cars be included in the fleet and used to transport petroleum products. However, neither the car loaders nor the transport workers could give a persuasive answer to this question. The chief of the mainline directed his attention to one more paradoxical situation: at a time when the railroad is failing to meet its overall filling plan, explaining this with the shortage of tank cars, the empties disposition target for turning them over to neighboring lines is being substantially exceeded.

Those responsible for this situation had to answer. And the work proceeded differently. Instead of the 57,000 tons stipulated by the target, the Volga Railroad shipped customers 61,800 tons of fuel on 25 November, 60,000 tons on 26 November, and 64,300 tons on the following day. This is a substantial increase if it is taken into account that the targets were not met before this. And this was with the same capacities and the same people. It turns out that they can work if they keep their eyes open and look for the reserves that are available.

Unfortunately, 1989 is already running out, and the Volga Railroad is not completing it very well, if not poorly. Of the 4 million tons that were not loaded, liquid fuel, which is needed so much at power stations and boiler rooms and for vehicles and other equipment, accounts for over 2.5 million tons. I will not venture to say that the work will proceed without a hitch thanks to the "discoveries" of the new manager. But the main point is that they were roused from the many years of lethargy which pulled the railroad back. Last year the Volga Railroad underfulfilled the plan for loading petroleum products by 1 million tons. And although for the current year they reduced it by 1.3 million, the total for 11 months has turned out to be depressingly low.

Before preparing this report, I received an assignment from the editorial staff to analyze the work of one of the stations that is not coping with the loading. All 11 filling stations turned out to be in this category. And there was essentially one reason for the failures—complacency, sluggishness, and references to "the leadership" which were mastered over many years. The Transport Main Administration, they say, is not giving the railroad the required number of empty tank cars. The main argument. But they are using about half of those that arrive and sending the rest without delay to the Kuybyshev Railroad and other lines. They make the excuse that they are sending only the tank cars for chemicals. True, though they account for only one-third of the total number of cars being turned over. The rest of those are the ones they need to work with. But they are in not much of a hurry and do not want to work here.

The washing and steaming stations in Tatyanka and Neftyanaya are an example of this. They are far from fully occupied, and the workers who complain about the continuing shortage of tank cars and their low earnings are idle for long periods of time. The practice of passing off all the "heavy" and "difficult" tank cars to their neighbors took root here a long time ago.

On the Kuybyshev Railroad where they end up, for example, they know how to work with them: they wash and steam clean them and fill them with petroleum products. According to data from the railroad's management, the filling stations of Medveditsa, Lapshinskaya, Trusovo, and Aksarayskaya are sending out up to 60 percent of the tank cars, ones which have defects which can easily be corrected, without filling them. As an example, with a crack in the automatic coupling or welded brake shoes.

There are two oil refineries on the Volga Railroad—in Saratov and Volgograd. There are washing and steaming stations at Neftyanaya and Tatyanka, which are dependent on them. A kind of unified technological process (YeTP) is in effect at both places in working with rolling stock. Logically it should be unified for the stations, the PPS [washing and steaming stations], and the refineries. Then each one and all of them together would be responsible for the use of the tank cars, the trestles, and the other technical transport facilities related to the preparation of capacities, their filling, cleaning, and dispatch to consignees. That is the way it should be. But there is nothing like this on the Volga Railroad and never has been: the refineries are by themselves, and so are the stations and the PPS's. This is the reason for the results.

The railroad has 168 stations and distribution points which receive and pour off petroleum products. Some of them are receiving a few tank cars, but there are not many where hundreds in a month are involved. Analysis has shown that an average of 408 tank cars are being released per day in the mainline's region; this is one-third of the total filled. Determine the type of fuel, take an empty car, select it, and send it for filling. Without washing and steaming, and perhaps after minor repair. However, the tank cars are released haphazardly: no plans have been worked out to assemble them in sections and directions. And often when the released tank cars are at stations in the Yershov Division, they push them aside to other lines in order to rid themselves of excess cars.

What kind of proprietary concern for the work can we speak of when many PPS facilities have not undergone major repair in two or three decades? Their piping systems, drainage, and cleaning structures are sometimes on their last legs. The filling station at Knyazevka, which is at the Saratov junction, was turned into a repository for freight trains left without locomotives long ago. A good one-third of the filling stations do not have sidings for minor repair of tank cars, simple mechanized facilities, spare parts, or tools. For this reason, even the cars with minor defects are pushed over to other stations. The cost of such "football" is high.

In connection with the organization of a Liquid Freight Administration in the Transport Main Administration, I would like to direct attention to the need to consider tank cars according to the type of freight carried in them, not tank cars in general. First of all, we have to single out the chemical cars, which are not used for petroleum products, but often create the illusion that there is an abundance of cars. And the petroleum cars require appropriate classification—for light or dark oil products. After all, we do not mix enclosed cars with gondolas or flatcars.

And one more wish: we should review the workload of filling and emptying points in the system together with the railroads involved in handling petroleum and the Glavkomnefteprodukt [Main Committee for the Supply of Petroleum Products] and put unit trains into circulation on loop routes. Quite recently, an average of up to 10 unit trains made up of eight-axle tank cars were leaving the Volga Railroad daily for areas under the North Caucasus Railroad and other lines. They were moved quickly on all track sections, and after their return they were delivered right away to the trestles, since there was no need to wash and steam them. The unit trains on loop routes have essentially been eliminated now, and transport is losing a great deal because of this.

#### **Difficulties, Costs of Electrifying Rail Lines Examined**

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[Article by A. Durov, GUDOK correspondent: "Discrepancies Have Worn Them Down"]

[Text] Chita—All told, the 321 kilometers between the stations of Chernyshevsk-Zabaykalskiy and Mogocha still have to be converted to electrical traction on the Transbaykal. However, these are the most difficult kilometers on the railroad. The section has no motor vehicle roads; however, it does have a complicated track profile, many rocky clamps, permafrost and very low winter temperatures. In addition, the construction is being completed under sharply changing management conditions. A report from Chita, in which GUDOK reveals the work of its post during one of the final stages in electrifying the Transiberian, talks about all this.

On the calendar, December is a time of construction "fever" and "records." However, it is relatively quiet on the Transbaykal: there are no installations to be handed over. A year ago, the situation reminded one of a front-line one on two sections: the Yerofey Pavlovich - Mogocha and the Shilka - Chernyshevsk-Zabaykalskiy ones. The Bamtransstroy Association builders, Montazhavtomatika Administration construction electricians and Transbaykal Railroad specialists had almost done the impossible—they had electrified 342 kilometers on the Mogochinskoye Division in a year and had commissioned fixed capital worth 71.8 million rubles.



Without detracting from the services of the 10,000 builders and rendering what is necessary to their commanders, it is nevertheless appropriate to ask: "Why is this very important job, which determines technical progress for dozens of years in the future, being done in such haste and with such extreme effort?" Even with the naked eye, one can discern behind the "records" numerous imperfections, poor quality and the usual contempt for the social area. All of this will shout "Hello!" with interruptions in train traffic. Millions of rubles have not been assimilated in the construction of housing, kindergartens, stores, and communal facilities. You see, only skilled specialists can service traction substations, switch and signal electrical interlocking posts, and the catenary system. You will not lure them to out-of-the-way taiga stations where elementary living conditions do not exist.

Introducing electrification without decreasing traffic intensity is equivalent to stretching out major repairs in one's quarters for years—the builders and operating personnel endure a lot of inconveniences and impede each other. Their mutual relations are interwoven into a complicated complex of compromises. However, the fact that the construction is occurring according to plans, which are not supported by the timely delivery of material, is much more important.

The fact that BAM [Baykal-Amur Mainline] subunits essentially possess a monopoly in transport construction in the region, is also having an effect. That is why the customer must close his eyes to a lot in their work style. However, the railroad itself is frequently not in a condition to fulfill its responsibilities completely, for example, the providing of a sufficient number of "windows" during the summer.

All of these difficulties have grown each year like a snowball. They are already talking about a necessary back-log. That is why the December construction assaults have become the norm just as the commissioning of priority complexes that have not been backed up with the required amount of new housing and social, cultural and domestic installations.

V. Kulik, a deputy chief engineer on the Transbaykal, convincingly talked about the roots of this vicious practice in an article entitled "Ashamed To Look One in the Eye," which was published in one of GUDOK's January editions in 1989. Many of the problems raised in it are evidently from the ranks of "eternal" ones. Ever newer ones, which the rapidly changing situation in the national economy is causing, are being added to them.

V. Kulik, to whom I again turned for an explanation, says: "All told, it was necessary to assimilate more than half a billion rubles under the electrification title.

"A total of 92 million still remain now. The financing of the construction project disturbs us very much. Much is still unclear here and if they reject centralized financing during 1991, the timely completion of the electrification work will be questionable. The expected price increase

for certain construction materials and fuel will also significantly worsen the situation."

The Transbaykal management regards the final stage of the electrification work differently. Those, who are directly involved in this, wish to complete it as fast as possible. They are agreeable to accepting it even if it is a notorious priority complex. Those who must subsequently work in this complex prefer not to hurry.

The Transbaykal operating staff, who are tired from fighting the consequences of the rush work, are losing patience, it seems. The collapse or "maintenance" of supports is inflicting the greatest losses on train traffic. Over the last two years, this has led to very serious interruptions—and all because they installed the majority of the supports in a hurry during the winter. Specialists have stated that it is absolutely impossible to adhere completely to construction norms when doing this. There is simply no time for the natural shrinkage of the supports and the gravel cushion fill.

The difficult exchange between different types of traction at hubs annoys traffic personnel and engineers. At times, it is impossible to conduct shunting operations because the necks of the stations are constantly occupied.

The shortage of electrical power for train traction aggravates the situation. The commissioning of one electrification section was delayed last year for this very reason. Trains with diesel locomotives travel over it during the winter, as before. Daily, 52 tons of diesel fuel, which must be requested from the ministry and other railroads, are overexpended. What will happen when they accept the other section from Chernyshevsk-Zabaykalskiy to Zilov next year? There is no electrical power and it is still unclear where it will come from. Possibly, it will be necessary to place the new section in a temporarily closed-down condition.

The railroad's technical progress will cost the Transbaykal workers. The railroad is "tired" from electrification. How many years will it take to complete the construction of its installations using their own resources? Many railroad hubs were accepted long ago for operation under the electrification title but the end of the work on them is not visible. It is sufficient to visit Karymskaya, Zavitaya and Urush to convince oneself of this.

Many of the reasons for the mentioned problems are rooted in the country's generally unhealthy economy. However, this does not mean that one can put all sins down on the state's account. Difficulties arise not only from the lack of coordination in plans for actual capabilities but also from the lack of control and demand on construction waste. You see, this is a job not so much for the Promstroybank as the railroad.

The electrification of the Transiberian mainline is having a difficult finish. Will the great Siberian route manage to acquire a modern appearance in the near future? The answer to this question still lies ahead of us.



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